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Ph.D. Dissertation  
**Institutional Dynamics of Governance  
and Corruption in  
Developing World: The Case of Pakistan**

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*“... it is the successful experiment which is decisive and not the thousand-and-one failures which preceded it. More is learned from the single success than from the multiple failures. A single success proves it can be done. Thereafter, it is necessary only to learn what made it work. This, at least, is what I take to be the sociological sense of those revealing words of Thomas Love Peacock: “ Whatever is, is possible.”*

*Robert Merton (1961)*

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## List of Abbreviations

ADB	Asian Development Bank
BI	Business International
BPI	Bribe Payer's Index
CCI	Control Of Corruption Index
CEO	Chief Executive Officer
CIA	Central Intelligence Agency
CPI	Corruption Perception Index
CSP	Civil Services Of Pakistan
CVC	Central Vigilance Commissions (India)
DCO	District Controlling Officer
DEA	Drug Enforcement Administration
DMG	District Management Group
GATT	General Agreement On Trade and Tariff.
GBC	Greed Based Corruption
GCB	Global Corruption Barometer
GDP	Gross Domestic Product
HFC	High Frequency Causes
ICAC	Independent Commission Against Corruption (Hong Kong)
ICITP	International Criminal Investigation Training Assistance Programme (USA)
ICRG	International Country Risk Guide
IFL	Ittefaq Foundation Limited
IG	Inspector General
IMD	Institute for Management Development
IMF	International Monetary Fund
ISI	Inter Services Intelligence
LFC	Low Frequency Causes
MP	Motorway Police
NAB	National Accountability Bureau
NACS	National Accountability Corruption Strategy
NAO	National Accountability Ordinance
NBC	Need Based Corruption
NGO	Non Governmental Organization
NH&MP	National Highway & Motorway Police
OED	Oxford English Dictionary
OPSTIB	Operasi Tertib (operation correct conduct of Indonesia)
PAC	Principal Agent and Client Model
PERC	Political And Economic Risk Consultancy
PML	Pakistan Muslim League
PPP	Pakistan Peoples Party
PRS	Political Risk Service
SPSS	Statistical Package of Social Sciences.
SS	Significance Score

TI	Transparency International
UN	United Nations
USA	United State Of America
WB	World Bank
WCR	World Competitiveness Report
WEF	World Economic Forum
WTO	World Trade Organization
WVS	World Value Survey
WWGI	World Wide Governance Index
WWII	World War II

# Introduction

Governance and corruption are two interdependent concepts, mutually ensconced in one another. Which precludes the other, however, is debatable. The general assumption in political science is that corruption is one of the various indicators of the level of governance in a state.<sup>1</sup> Variations in the level of governance, in the sense of orderly rule,<sup>2</sup> across time and space and different regions, have been explained by two prominent scholarly approaches: that of evolutionary institutionalism by Huntington (1968) and the rational choice, the neo-institutionalist approach by Mitra (2006). While the former proposes the solution to the problem of governance, in the process of social change and concomitant evolution of the institutions of the state, the latter suggests the prevalence of order as a result of a rational choice, made by both the parties to a transaction, considering their perceptions of associated losses and gains. This current inquiry into the study of governance from the perspective of controlling corruption, builds on the latter approach; assuming that the higher degree of order will ensue from a lower level of corruption in a state.

Building on the rational choice; the neo-institutional theory of political science, and the agency theory of economics and public administration (Eisenhardt, 1989), this study develops a neo-institutional theory for controlling corruption.

The theory maintains that agents are rational actors and their decision to go corrupt or otherwise is determined, not by cultural determinants, but rather by their perceptions of risks and rewards attached with available alternative choices. Moreover, agents have a propensity to adapt to any institutional milieu provided they foresee an advantage in doing so. This study tests these claims, on the civil bureaucracy of Pakistan, and finds that agents behave remarkably different in different institutional settings. The disparity in their behaviour is empirically explained in terms of agents' perceptions of the allied gains and losses of available choices. These findings have been empirically explored, with the

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<sup>1</sup> World Wide Governance Indicators include Control of Corruption as one of the six basic indicators of governance along with Rule of Law, Regularity Quality, Government Effectiveness, Voice and Accountability, and Political Stability.

<sup>2</sup> Many scholars of the subject have interpreted essentially a contested concept, governance, differently. These interpretation would be discussed later in Chapter 1; however, during the course of this research the concept of governance has been used as 'orderly rule' as done by Mitra (2006).

help of qualitative and quantitative data, collected from real stakeholders<sup>3</sup> of any corrupt transaction. The underpinning theme of this inquiry is to assess, the role that culture and institutions play in the unenviable state of affairs, in terms of high corruption and low governance in most of the developing world.

This research argues that widespread corruption and low governance in the developing states, like Pakistan, is attributable to inherent inadequacies in the public institutional structures, which can be controlled through restructuring. Attributing widespread corruption of the transitional societies to their cultures is a misinterpretation of reality. Its genesis can rather be located in badly designed institutional structures and unfulfilled physiological needs, latter compelling and former permitting the agent to do corruption. A public policy focusing on any of them in isolation is bound to fail; effective and sustainable corruption control is only possible through a simultaneous attack on both the fronts.

## **Objectives of the Research**

The inspiration for purer theory relies exclusively on the concern for, and appeal of, applied problems, observed a scholar, maintaining that theoretical ideas are best explained with the assistance of real world examples (Schelling, 2005). Drawing inspiration from the notion, the fundamental concern of this study is to develop a theory for controlling corruption in transitional societies and developing states, and to testify the validity of the developed theory, by employing any real world example from the developing states. Building on the tenants of rational choice, the neo-institutional approach, this research envisages a neo-institutional theory and develops a model for identifying the causes and suggesting the means to control corruption and enhance governance through ameliorating the performance of non-elected public sector of the developing world.

This research specifically deals with bureaucratic corruption in the public sector and its significance for the effective and efficient governance of the developing states and

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<sup>3</sup> The term ‘stakeholder’ is used throughout this study to denote those members of the society, who also belong to the non-elected public sectors of the developing world and are often considered as perpetrators in the study of bureaucratic corruption.

transitional societies. This research assumes that mere academic debate regarding the concept, causes, and consequences of corruption, and exogenous doctrines and policies imported from outside, cannot foster any palpable change in the attitudes of the stakeholders, and is unlikely to bring forth valuable dividends without catering to the endogenous ratiocination and motivations of the perpetrators. Hence, one of the major objectives of this research is to identify the causes and means of controlling public sector corruption according to the perceptions and concerns of the stakeholders, and to formulate practical recommendations for the policymakers of the developing world, based on the prioritisation of various factors, according to the views and wishes of the stakeholders.

## **The Case of Pakistan**

Corruption has been studied from the perspective of the developing as well as the developed world.<sup>4</sup> Though, the volume of the former is significantly more than the latter<sup>5</sup>, yet there is a dearth of serious academic endeavours focusing on South Asia, with the exception of India. A significant amount of serious academic work has been done focusing on one or the other developing state; few of the more prominent of such studies include: India (Monterio 1966; Myrdal 1968; Kholi 1975; Wade 1982; Palmier 1985; Reddy and Haragopal 1985), Nigeria (Wraith and Simpkins 1963; Leys 1965; Eker 1981), Indonesia (Palmier 1985; Scot 1972), Zaire (Gould 1980), Hong Kong (Palmier 1985), Ghana (Werlin 1972; Price 1975), Haiti (Scot 1972), Mexico (Wilkie 1967) and Thailand (Scot 1972). Interestingly, there is hardly any serious academic work on Pakistan, with a focus on corruption.

A comprehensive study of corruption in Pakistan is more than overdue considering the geo-strategic importance of Pakistan in general, and her socio-political significance, in today's world of extremism and terrorism, in particular. It is quite surprising that such a far-reaching phenomenon, like that of corruption, has not been fully investigated in the case of a country like Pakistan. Corruption causes, *inter alia*, misappropriation of funds,

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<sup>4</sup> There are numbers of historical studies of corruption in USA, Britain, and Europe. For detailed reference of such studies refer to Chapter 2.

<sup>5</sup> A detailed account of these studies has been given in chapter 2 dealing with the review of the existing body of knowledge on corruption.

misallocation of resources and is closing doors of opportunity on many, especially, the already marginalised sections of society. This leads to unequal distribution of wealth, and minimises the chances of decent survival for the common man; breeding frustration, cynicism, anger and repressed hostility in him, which generally, finds its vent in shape of intolerance, extremism, religious fanaticism, and ultimately, terrorism. To our mind, besides fighting the Taliban in Northern Pakistan, fighting corruption in Pakistan, should be significantly high on the US's agenda as far as its 'war on terror' is concerned, if it really aims and wants to win this war. This link between corruption and security can easily be understood if we look at the role corruption of the ruling elite plays in the persistence of illiteracy and economic inequality in a state like Pakistan.

Apart from the lack of a meaningful study on Pakistan, another important reason for choosing Pakistan was the nature of the study, which proposes a theoretical model for controlling corruption in developing states, and Pakistan represents, from the perspective of decaying governance and increased corruption, one of the worst examples of such states. Whatever could go wrong with any developing state has already gone wrong in case of Pakistan. If any theory or model can hold grounds in case of Pakistan, the probability of its successful replication in other developing states will be much higher.

## **Historical Background**

Corruption is probably, as old and as universal a phenomenon as the oldest profession known to man. As early as around fourth century BC, Kautilya in his famous work on statesmanship, *Arthashastra*, analogised this human behaviour, in the following manner:

‘Just as it is impossible not to taste the honey or the poison that finds itself at the tip of the tongue, so it is impossible for a government servant not to eat up, at least, a bit of the king's revenue. Just as fish moving underwater cannot possibly be found out either as drinking or not drinking water, so government servants employed in the government work cannot be found out (while) taking money (for themselves)’

(Shamasastri, 1960:70)

Though, corruption is archaic, yet academic interest in the subject is as new as the late 20th century. It was not very long ago that scholars and researchers have started to point

out the need for a meaningful and serious research on corruption. Gunnar Myrdal, one of the early scholars, who alluded to the need for scientific investigation of corruption, in his epic *Asian Drama* has asserted, 'The true research task is, however, to establish the general nature and extent of corruption in a country, its incursion upon various levels and branches of political and economic life, and any trends that are discernible' (Myrdal 1968:942).

This was the time, when the functionalist school of thought<sup>6</sup> (Dor, 1974) was in ascendance in the field of corruption research; corruption was brushed aside as a transitory phase, which was inevitable and, in some cases, even necessary for the development of transitional societies of newly independent nation states. Any specific study of corruption in the developing world was scarcely given serious attention due to the culturally loaded nature of the subject. Myrdal once again contested the notion of futility associated, with the study of corruption in the developing world, as a serious field of research, by indicating that 'the fact that in the United States corruption has for generations been intensively and fruitfully researched should counter the notion that nothing can be learnt about this phenomenon' (Myrdal, 1968:942). Functionalist considered corruption, as a natural corollary of the transition from traditional to modern (Huntington, 1968) and deliberated, that like puberty, corruption is a phase, which occurs naturally in the maturity cycle of every nation.

Nevertheless, towards the end of the 20th century, research on corruption, specially in the developing world, gained considerable momentum, which has now turned into an almost independent academic genre. A major reason for this shift was the end of the Cold War. Policymakers, academics, and the donors of the first world, mainly due to political necessity during the Cold War, had ignored the evils prevailing in various allied developing nations and states. However, the end of the Cold War and the fall of the Soviet empire, not only witnessed various newly independent states, with weak economies, fragile political structures, and higher vulnerability to corruption, but also ushered in a need to recognise corruption as a socio-economic malady for the developing world.

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<sup>6</sup> Functionalists being the proponent of utility of corruption for the developing countries proposed various economic, social, and political benefits of corruption. A comprehensive analysis of functionalist thinking is given in Chapter 2.



Various agencies like the World Bank, United Nations, USAID, and Britain's Department of International Development, started to attach conditions, demanding transparency and reduction of corruption in the recipient country, with their financial assistance programmes (Williams and Doig, 2001). At the same time, with the appearance of various corruption scandals in the developing world like Italy, Germany, and England, it dawned on the policymakers as well as the academia that corruption, like a malignant tumour has a capacity of recurrence, and the best solution is to always be on guard. Economic neo-liberalism, which supported decrease in the role of government, and increase in deregulation and privatisation of government functions, has proved ineffective in controlling the surge of corruption, as privatisation itself proved instrumental, in spread of mega corruption in most of the cases. Policymakers have realised that instead of reducing government, the need is to reform the government (ibid). This research, being a part of this academic evolution, underscores the need for reformation of the public sector for controlling corruption, and endeavours to determine the chances of controlling widespread bureaucratic corruption, in the developing world, with the help of institutional restructuring.

As narrated above, academic interest in corruption is not very old, yet this neglect was not always accompanied by a lackadaisical attitude towards the ills of the phenomenon. Dangers of corruption were noticed and reported by various classical thinkers. While talking about bribery in *The Laws*, Plato remarked that 'the servants of the nation are to render their services without any taking of presents', he further goes on to advise the public servants, 'Do no service for a present' (Klitgaard 1988:7). In, *The Discourses*, Machiavelli goes on to warn that 'a corrupt city living under a prince, even though that prince with all his race is destroyed, can never bring itself back to freedom' (Shumer 1979:11). In late middle ages political thinkers and writers were denouncing corruption in strongest terms; 'Dante placed bribers in the deepest parts of Hell, reflecting the medieval distaste for corrupt behaviour' while writers like 'Shakespeare gave corruption a prominent role in some of his plays' (Tanzi 1998: 560). Speaking of its deleterious consequences for the state, Montesquieu in his magnum opus, *The Spirit of Laws*, asserted, 'once a republic is corrupted, there is no possibility of remedying any of the growing evils, but by removing the corruption and restoring its lost principles; every

other correction is either useless or a new evil' (Hussain 2002: 219). Apparently an old apprehension, yet it holds true even today.

## **Context of the Study**

Notwithstanding the fact that corruption is a universal phenomenon, that it was and is present - though in varying degrees - in all the cultures and societies of the world,<sup>7</sup> its ubiquitous nature in the under developed or developing societies of the present day world cannot be denied.<sup>8</sup> Ghosh, while mainly analysing the Indian corruption, has made the assertion that 'Global comparisons reveal that while in developed countries corruption is a violation of the rules of the game, in most parts of the third world and the former second world it is the game itself' (Ghosh 2002:23). Though, corruption is rampant in the developing world of Africa, South America, and Asia, yet as a region, South Asia could presumably be labelled, as the most corrupt region of the world. Speaking about the state of affairs in South Asia, Myrdal has maintained in the same study: 'concerning first the general level of corruption, it is unquestionably much higher than in the western developed countries (even including the United States) or in the Communist countries... causes of corruption; they are clearly much stronger in South Asia than in the other groups of countries mentioned' (Myrdal 1968:942).

The following table, based on the last eight years rating of the region by Transparency International, can help in ascertaining the trend and level of corruption, in the regional context of South Asia. TI's grading establishes the level of corruption in ascending order, signifying the least corrupt country at rank 1 and so on. It is more enlightening if the ranking of each country is viewed considering the total number of countries surveyed in a particular year.

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<sup>7</sup> Even in today's world of literacy, democracy, rule of law, and social justice, no society or state is completely corruption free, even countries like Finland, Switzerland, and Denmark have reported one to two percent of cases, in which individuals were involved in corrupt transactions (Global Corruption Barometer 2007).

<sup>8</sup> This statement could be supported by the fact that in almost all the indices measuring corruption, developing or under developed states wholly occupy the complete lower part of the ratings. Most well known of such indices is CPI of Transparency International; and according to their latest report of 2008 lowest half of total 180 positions is held by such states.

**Table 1 Level of Corruption in South Asia**

<i>Year</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>
Countries surveyed	90	91	102	133	145	158	163	179	180
Bangladesh	-	91	102	133	145	158	156	162	147
Pakistan	-	79	77	92	129	144	142	138	134
Nepal	-	-	-	-	90	117	121	131	121
Maldives	-	-	-	-	-	-	-	84	115
Sri Lanka	-	-	52	66	67	78	84	94	92
India	69	71	71	83	90	88	70	72	85
Bhutan	-	-	-	-	-	-	32	46	45

Source: Data compiled from the Corruption Perception Index<sup>9</sup>

Even a cursory glance through the above table, makes it clear that though generally quite high, the level of corruption varies considerably among the different countries of the region. The most interesting disparity is between Pakistan and India, which despite having the same historical, colonial, social, and cultural background acquire far apart positions on this index. One can also observe that this hiatus between the comparative positioning of India and Pakistan has grown considerably in last five years, indicating that impressions and perceptions regarding states can both ameliorate and deteriorate in a relatively short span of time. This also shows the much publicized anti corruption crusade of last military government in Pakistan has failed to alter, at least, the popular perception. It further indicates that perception of corruption in India has gone down with her rapid economic growth. However, establishing the direction of the causality is yet open to debate.

Similar trends emerge, if we compare the level of governance in the region, calculated by the World Wide Governance Indicators, which assign the rank in descending order, means higher average score indicates a higher level of governance in the state:

<sup>9</sup> Corruption Perception Index data used in this table can be viewed at the Transparency International's website: [http://www.transparency.org/policy\\_research/surveys\\_indices/](http://www.transparency.org/policy_research/surveys_indices/)

**Table 2 Level of Governance in South Asia**

<i>Country</i>	<i>Voice and Accountability</i>	<i>Political Stability</i>	<i>Government Effectiveness</i>	<i>Regulatory Quality</i>	<i>Rule of Law</i>	<i>Control of Corruption</i>	<i>Average Score</i>
Bangladesh	28.8	8.7	22.3	20.9	24.8	9.7	19.2
Pakistan	18.8	1.0	28.4	28.6	19.5	21.3	19.6
Nepal	22.6	2.9	21.8	26.7	31.0	30.4	22.6
Maldives	22.1	48.1	49.8	52.9	54.8	23.7	41.9
Sri Lanka	38.6	5.8	47.4	51.5	55.7	57.5	42.3
India	58.1	17.8	57.3	46.1	56.2	47.3	47.2
Bhutan	23.6	68.8	56.9	25.2	63.8	80.2	53.0

Source: Data compiled from World Wide Governance Indicators<sup>10</sup>

Comparing tables 1 and 2, brings forth a definite and unambiguous negative correlation, between the level of corruption and the level of governance in South Asia; suggesting that the higher level of corruption is associated with the lower level of governance in a state, and vice versa.

## Importance of the Study

Theory, without empirical verification, has mere academic and no practical value; while analysis of applied problems sans any sound theory can lead to only case-specific results, which are hard to generalise. The primary significance of this study is, its ability to engage in the question of governance and corruption, from both theoretical as well as empirical perspectives, bringing forth a theoretical paradigm, which is corroborated by real world examples. Subject research makes important contributions on the all three vital aspects of social science research: the theoretical, the empirical, and the methodological front.

Subject study underscores the significance of institutional culture, instead of societal culture *per se*, and undermines the so-called scholarly view of ‘cultural embeddedness of

<sup>10</sup> Data available at the World Bank’s website: [http://info.worldbank.org/governance/wgi/sc\\_country.asp](http://info.worldbank.org/governance/wgi/sc_country.asp)

corruption'.<sup>11</sup> This study proves, with an applied example that traditional cultures or transitional societies are not inherently corrupt; and a general atmosphere of corruption, prevailing in such societies or states, is a result of certain structural features or lacunas in the design of the institutions, existing in these societies. This research shows that when the institutional features of the developed world are properly applied on the institutions of the so-called developing world, they (developing world's institutions) have the ability to transform into equally efficient and least corrupt institutions as their counter part in the developed western world. This leads us to the conclusion that the flawed institutional structures, and polluted institutional environment prevailing in the so-called non-western developing world, and not their culture, are responsible for prevalent high level of corruption and low level of governance in such states. The structures and environment existing in institutions of the developing world are likely to produce equally corrupt and inefficient outcomes regardless of their geographical placement.

The most distinctive feature of this research is the employment of the real agents' perceptions, for the purpose of analysing their behaviour. This research, for the first time, collects, analyses, and presents the views of real stakeholders, i.e., public servants, who work in the evidently most corrupt institutions and therefore, have been actively or at least passively exposed to corrupt transactions. These agents' views have been collected, regarding the causes of their deviant behaviour; asking them, why agents indulge in corruption and corrupt practices and, under what circumstances agents are most likely to change their attitudes and stop exploiting the state and their clients?

Another important feature of this research is its ability to either refute or substantiate a number of existing theories of corruption and governance. This study corroborates the findings of Mitra (2006) that actors decisions to follow the rules are determined by their perceptions of the reward and punishment, attached with the given choices, and not by their culture or context; and of Easterly (2001) who states: that Pakistan is an ideal example of growth without development. Simultaneously, this study questions some of the assumptions and findings of Rose-Ackerman (1978) and Klitgaard (1988) that principal's inability to monitor agents is because of the costly nature of the activity; and

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<sup>11</sup> Term was first used by: Myrdal, Gunnar. 1968. *Asian Drama: An Inquiry in to the Poverty of Nations*. Vol. II. New York: Pantheon A Division of Random House

Tirole (1996) that collective bad reputations of the agents obstruct their way to improvement; and further more Van Rijckeghem and B. Weder (2001) that increasing the financial remuneration is not an effective way to reduce corruption.

The hiatus, between the level of corruption and governance, amid different states, could be attributed to different socio-political and economic reasons, but the gap between the level of corruption in the different institution of one state is hard to define, and calls for further in-depth inquiry of the various multiple factors involved. A singular and unique feature of this study is that it identifies and explores the disparity between the levels of corruption among various institutions of a state, which is generally perceived to be among the most corrupt states of the world. This intra-systemic comparison of various institutions helps identifying the structural factors responsible for this disparity.

Presuming each department/institution, investigated during the course of this research, as an independent country, and plotting the level of corruption in each institution (ascertained with the help of public servants' perception in Chapter 5 & 6) against the level of corruption in the different states of the world (assessed by the CPI 2008 of Transparency International), brings forth some very interesting results. We noticed an extreme disparity in the level of corruption in different institutions of Pakistan. Perceived level of corruption in some institutions is even more than the level of corruption in Somalia (which is rated as most corrupt country by CPI 2008), but there also exists an institution, which is as 'clean' as the least corrupt country of the world (i.e., Denmark). Such inconsistency, within one culture, begs for detailed investigation and in depth analysis of the reasons. This study offers a detailed account of the various structural elements responsible for this disparity.

## **Data and its Sources**

This research has employed qualitative and quantitative data, obtained from both primary as well as secondary sources. Secondary sources used during the course of this research, consist of a large number of books, journal articles, investigative reports of corruption watchdogs, reports from international agencies working against corruption, internet sources, and newspaper articles. Primary qualitative data was selected from various

reports, documents and proposals from: World Bank, National Accountability Bureau of Pakistan, National Anti-corruption Strategy of Pakistan, Central Board of Revenue of Pakistan, Planning Commission of Pakistan and interviews with higher government officials of Pakistan done by the author.

Major sources of primary quantitative data was two different surveys conducted by the author during the three months long field work in which firstly 145 government officers belonging to 32 different governmental departments, ministries and divisions were surveyed/interviewed.<sup>12</sup> In the second survey 105 officials/officers belonging to the Motorway Police of Pakistan were surveyed. Some, of the 250 filled questionnaires, were rejected due to various ambiguities and technical reasons like wrong entries or incomplete responses, and 237 survey results were used for the purpose of data analysis. This sample of primary quantitative data represents the federal civil bureaucracy or the non-elected public sector of Pakistan.

Instruments of data collection were prepared with the objective of obtaining maximum but relevant information; due care was taken to make the instruments, technically sound, according to the standards of scientific research. These instruments were used to collect the views of actors or public servants, regarding the prevalence, causes, consequences, and control of corruption, with the help of both open and close ended questions.<sup>13</sup> However, the perceptions, regarding the consequences of corruption have been under utilised, being beyond the scope to this research.

Despite the fact that anonymity of the respondents was ensured and despite the author himself belonging to the circle of Pakistan's civil bureaucracy, it was not always easy – and that is understandable, considering the nature of the issue under investigation – to persuade the bureaucrats to divulge their views and opinions about the prevalence of corruption in the civil bureaucracy of the country. For obtaining the views from the respondents of bureaucracy, determined persistence, enormous persuasion, and incessant reassurance had to be employed.

However, respondents from the Motorway Police displayed alacrity and a friendly cooperation in answering the questions. The difference, between the response and attitude

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<sup>12</sup> List of the departments surveyed could be seen at Appendix 3.

<sup>13</sup> Instruments of data collection employed for both set of respondents could be seen at Appendix I and II at the end of this dissertation

of both sets of respondents was glaring; one could be described at best as sceptic, unwilling, and reluctant, while the other were positive, keen and prompt in extending their cooperation.

## **Methodology**

This research employed both qualitative and quantitative, as well as discursive approaches to research, for studying the above-mentioned puzzle. Here, we will explain the methods employed during the course of this research, in keeping with the rules and conditions forwarded by King, Keohane and Verba (1994). According to which, primary methodological concern of any scientific research is the relevance of the research problem to both, the real world and the scholarly literature. The puzzle of governance and corruption is very much a real world problem, as it is a major concern of most of the developing societies. Its relevance to the real world is evident by a plethora of research done on the subject.<sup>14</sup> Moreover the subject study contributes, significantly to the existing body of knowledge, as it introduces a neo institutional theory for controlling corruption, which focuses on the institutional culture instead of the individual; second, this study obtains and incorporates, for the first time, quantitative data, based on the perceptions of the stakeholders; and third, it focuses on the institutional comparison within the same settings, and identifies, in the words of Klitgaard (1988), the role of ‘successful performers’, in the fight against corruption. Concerning the testability of the research problem, this research employs a comparative analytical approach for studying the causes of corruption in one set of institutions and simultaneously, investigates the reasons for lack of corruption in another institution in the same setting, permitting valid descriptive and causal inferences for higher or lower level of corruption.

The institutional theory and model for controlling corruption, developed during the course of this research are, concrete, falsifiable, internally consistent, conditionally independent, have the leverage to explain, are free from variable bias and do not include any irrelevant variables. Our theory states in concrete terms, the conditions under which, the probability of any public institution to go corrupt are minimal; moreover, the theory

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<sup>14</sup> Chapter 2 entails the overview of the research done on corruption and its different causes. For further detailed reviews one can refer to Bardhan (1997); Jain (2001); and Lambsdorff (2005).



would prove incorrect or false, if the Motorway police gets as corrupt as other public institutions in Pakistan, or if other public institutions, without any institutional restructuring, miraculously turned as corruption free as Motorway police. This theory is internally consistent, as it avoids the problem of endogeneity; the value our explanatory variables (financial remunerations, level of accountability, professional training, peer pressure, and role of leadership) take, is a cause and not a consequence of our dependent variable, i.e., the level of corruption. Furthermore, this theory strives for 'explaining as much as possible with as little as possible' (King, Keohane and Verba 1994:29) by concentrating on the few above listed explanatory variables, and analyses in detail their impact on the level of corruption in any institution.

This research has also taken care of the fact that no significant variable, which has any strong influence on the dependent variable, should be omitted and on the other hand, no irrelevant variable should be included in the final analysis. Variables like age, education, gender, hierarchical rank, number of dependents, geographical background, were carefully studied to assess their relationship with the dependent variable.

The next stage in any scientific research is defining the population or the universe of the cases; the data obtained from this population is then used for testing the theory. The collected data meets the criterion of unit homogeneity, and the conditional independence; which identifies that 'all units with same value of the explanatory variables have the same expected value of the dependent variable' (ibid: 116), and moreover the values of explanatory variables, are not determined by the dependent variables. Secondly, data collected from both the sources i.e., bureaucracy and Motorway Police is perfectly comparable as both belong to same socio-political milieu and both are a part of the country's larger public sector.

Another related problem with the universe of data is the sufficiency of the cases and observations, used for data analysis. This research used 237 surveys conducted with the general bureaucracy and the Motorway Police. Sometimes respondents were asked to enlist their three best choices/options, subsequently under certain categories, number of N reaches to around 700. Considering the size of the population under investigation, and to avoid intentional selection bias, we employed a random selection method, in which officers of all ranks (from Basic Pay Scale 17 to 22) from 32 different departments,

ministries, and divisions of the government of Pakistan were surveyed/interviewed.<sup>15</sup> The author conducted these surveys/interviews from March to June 2007 in Islamabad, Rawalpindi, Lahore, Karachi, Peshawar, Quetta, Muzaffarabad and Faisalabad with the help of electronic mail, conventional post and personal visits.

In order to ensure maximum variations in the explanatory variables, the data was collected from both male and female sections of the population; 10 per cent females in case of bureaucracy, which sufficiently represents the total percentage of females in the civil bureaucracy of Pakistan. Furthermore, the data also represents all the four provinces of Pakistan, in a way, which is considerably similar to their original share in the total population of the country and the bureaucracy. Similarly, in case of Motorway Police, officials/officers serving in all the four sectors of the force, covering the whole jurisdictional area of Motorway Police, were interviewed/surveyed. Selecting, on both the independent and dependent variables, due care was taken that no such variables should be chosen, which are either known to vary together in ways consistent with the hypotheses of the study or are constant in a fashion that no variation in dependent variable could be attributed to any explanatory variable.

While collecting data the three aspects of validity, reliability, and replicability were kept in mind. A careful and deliberate designing of instruments of data collection ensured validity of the collected data. Data was collected to measure the perceptions of public servants, regarding prevalence, causes and control of corruption in the bureaucracy of the country; and the collected data provided the exact information, which was intended to be measured. Adherence to the principals of scientific data collection ensures the reliability of the data and guarantees that applying the same procedures will produce the same result any time in future, if the situation remains the same in Pakistan. Similarly, if someone is willing to replicate the above-mentioned procedures, the same data can be acquired producing the similar results.

In order to avoid stand-alone data, identical instruments of data collection were used in case of both bureaucracy and Motorway Police, however, a separate section, consisting of ten questions, particularly related to the institutional culture and functioning of MP was incorporated in the questionnaires of MP. After successful completion of data collection,

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<sup>15</sup> List of surveyed departments is placed at Appendix 3 at the end of this dissertation.

every filled questionnaire was meticulously analysed to remove ambiguous, incomplete or wrongly filled questionnaires. Subsequently, all the data was converted into a soft file by transferring it to the Microsoft Excel and later into Statistical Package for Social Sciences (SPSS), for the purpose of data analysis.

The gathered information was divided into three broad categories: prevalence, causes and control of corruption. Causes of corruption were primarily analysed, according to the perceptions of respondents belonging to the bureaucracy, wherever required, views of the respondents from MP were also analysed and incorporated. While analysing the mechanisms for control of corruption a conscious effort was made to concentrate on the explanatory variables, which appeared to be of primary importance as causes of bureaucratic corruption, for example, economic deprivation, lower accountability, weak leadership and peer pressure. The measures for controlling corruption were assessed, as per the prevailing structural novelties of the Motorway Police, and the perceptions of their respondents, regarding the causes of low level of corruption and higher level of efficiency in the institution. In order to avoid complex and obscure statistical interpretations, basic and simple statistical concepts, which can be understood by the majority of the readers, like means, averages, correlations, and frequencies were employed for the purpose of data analysis. To enhance the understanding of the causal inferences drawn during the course of this research, achieved results have also been offered, in an easy to understand graphical presentations.

Maximum effort was made to avoid case selection bias; however, like every social science research it is impossible to claim the success in doing so with 100 per cent certainty. Despite all the efforts there still exists the possibility of a selection bias in favour of the Motorway Police being the model efficient institution under investigation. Secondly, since all the measurement is imprecise based on the perceptions of the respondents so evaluation of the achieved results with five per cent measurement error and uncertainty would not be wrong.

## **Structure of the Dissertation**

This dissertation is divided into three basic sections. The first section builds the theoretical foundation of the research and locates its position in the current body of scientific knowledge. The second section develops the concept of corruption and governance and evaluates the genesis and evolution of both in case of Pakistan; the last section deals with the quantitative part of the research and entirely focuses on the analysis of the data collected during the fieldwork.

Chapter 1 deals with the theoretical aspects of the study, and discusses in detail, the core question, allied investigative lines, and hypotheses of the study. The Chapter further discusses the rational choice neo-institutional approach to governance and corruption and on these bases, develops a neo institutional theory and model for controlling corruption. The model explained at the end of Chapter 1, is based on the concept of structured and unstructured institutions, with the help of Weberian characterisation of bureaucracy.

Chapter 2 analyses the existing body of knowledge on the issue of corruption. It examines, in detail, the two divergent approaches to the study of corruption, which have dominated the field for last 50 years, i.e., functionalist and moralist school of thoughts. Apart from analytical dissection of these schools, the empirical body of knowledge with a special focus on the causes of corruption is also analysed.

Chapter 3 deals with the conceptual evolution of the term corruption, along with a succinct account of the definitional debate, going on since decades. The chapter also delineates the basic characteristics, which render any transaction corrupt, and separate it from various other form of malfunctioning. The chapter further describes various modes, categories, models and measuring techniques of corruption.

Chapter 4 revolves around the evolution of corruption in South Asia, in general and Pakistan, in particular. Tracing its origin in the region, back to the times before Christ, the chapter chronologically delineates the history of this phenomenon to the present day. The nexus between civil-military bureaucracy and the landed aristocracy in the development of this occurrence in case of Pakistani society and the bureaucracy is given special attention.

Chapter 5 deals with the quantitative part of the study and analyses the public servant's perception, regarding the prevalence of corruption in the country and bureaucracy. This chapter further assesses the significances of reported causes according to the priority given to the each cause by the agents. The chapter provides the empirical validation of the theoretical model, developed in Chapter 1.

Chapter 6 discusses the issue of controlling corruption and investigates, in detail the institutional structure of the Motorway Police. The chapter also analyses the causes of low corruption and higher efficiency in MP, with special emphasis on its structural features, embedded in the institutional cultural of the Motorway police. This analysis further substantiates the canons of institutional theory for controlling corruption, with the help of empirical evidence, collected from the data based on the perceptions of actors, belonging to the Motorway Police.

A detailed conclusion encompasses the whole debate, about, either the culture of the institution or the culture of society being primarily responsible of widespread corruption in public sectors of the developing world and transitional societies. The contribution of this research to the existing body of knowledge has also been recorded in the conclusion, along with the practical recommendations for policymakers, interested in devising policies for controlling corruption.

# Chapter 1

## Theoretical Framework

This chapter builds the theoretical foundations of this research and focuses on the rational choice neo-institutional model to analyse the relationship between governance and corruption with a special emphasis on the transitional societies of the developing world. Without compromising the generalisability, the theory focuses on the interplay of traditional societies and modern states of the developing world. This chapter asserts that cultures of less developed or transitional societies are not corrupt inherently; it is rather their susceptibility to insecurity, triggered by multiple socio-psychological reasons, which predominantly determines the choices of individuals. Their decision 'is not in any way determined by culture or context but necessarily involves their perception of potential rewards, risk and the comparison of likely outcomes, leading to choice' (Mitra 2006:2)

The chapter discusses and analyses in detail the core question along with the investigative lines on which this research has been conducted. Building on the Weberian model of bureaucracy, the chapter also delineates the vital features of a structured institution. Besides theoretically conceptualising the terms corruption and governance, the chapter also develops two fundamental categories of corruption and further proposes an institutional theory of corruption building on the Agency theory and the rational choice new institutional approach of governance. The prime objective of the chapter is to formulate a model, based on the above-mentioned rational choice neo-institutional approach of governance, and in the process delineating the decision-making process of the actor or agent apropos of the alternative options available to him, which ultimately lead to individualistic or personal and collective or impersonal choices resulting in corruption and higher level of governance respectively.

Though being *essentially contested concepts*, both governance and corruption are interdependent on each other<sup>16</sup>. Increase in one is inversely proportional to decrease in

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<sup>16</sup> Walter Bryce Gallie first introduced the term 'essentially contested concept' in his article: W. B. Gallie. 1955. 'Essentially Contested Concepts', *Proceedings of the Aristotelian Society*, LVI: 167-198. An essentially contested concept is the one where there is a general agreement on the abstract core notion but an equal disagreement about the realisation of that notion. In the words of Gallie, they are 'concepts the

the other. The higher the level of governance, the lower would be the level of corruption and vice versa.

Within the realm of political science, the state is conceived as the guardian of collective interest, which it achieves through governance or, in the words of Mitra (2006), ‘orderly rule’, to avoid the Hobbesian ‘state of nature’ which would inevitably lead to ‘war of all against all’<sup>17</sup>. The significance of controlling corruption for achievement and maintenance of governance in a state is vital. A higher level of corruption renders the state physically crippled, morally weak, and mentally imbecile, consequently challenging the very legitimacy of its existence as the guardian of collective interest. The better these collective interests are pursued and achieved, the higher is the level of governance in the state. State is the custodian of life, liberty, property, and pursuit of happiness of its subjects<sup>18</sup>. Corruption in a society hampers the pursuit of these major objectives of the state through misdirecting the resources, breeding inefficiency and unfairness, destabilising the property rights, instilling inequity of wealth, and usurping the opportunities available to the already marginalised sections of society. Eventually in its utmost manifestations, high level of corruption, swamping out a variety of equitable institutions, could even threaten the legitimacy of the state.

## 1.1 The Puzzle

The central puzzle this research intends to disentangle is: whether the governance mechanism of the state or the internal forces of transitional societies are responsible for widespread bureaucratic corruption – which is the dependent variable in this study - in

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proper use of which inevitably involves endless disputes about their proper uses on the part of their users’ (1955: 169). For a detailed debate about the essentially contested concepts see: MacIntyre, Alasdair. 1973. ‘The Essential Contestability of Some Social Concepts’, *Ethics*. Vol.84. No.1: 1-9; Macdonald, K.I. 1976. ‘Is ‘Power’ Essentially Contested’, *British Journal of Political Science*. Vol.6, No.3: 380-382; Clarke Barry. 1979. ‘Eccentrically Contested Concepts’, *British Journal of Political Science*. Vol.9, No.1: 122-126; Grafstein Robert. 1988. ‘A Realist Foundation for Essentially Contested Political Concepts’, *The Western Political Quarterly*, Vol.41, No.1: 9-28.

<sup>17</sup> ‘War of all against all’ is the literal translation of the Latin term ‘*Bellum omnium contra omnes*’, which Thomas Hobbes used in the preface of his book *De Cive* (1642). This term was used by him for describing the ‘state of nature’, which he deliberated more in detail in his book *Leviathan* (1651).

<sup>18</sup> ‘Life, liberty and pursuit of happiness’ is considered as the ‘inalienable rights’ of human beings by Thomas Jefferson, the author of United States Declaration of Independence, however, phrase was based on the writings of John Locke who considered ‘life, liberty and property’ as the basic rights of every man.

the developing world; and why, despite being placed in the same socio-political milieu, governance prevails in some institutions better than in others?

Post-World War II era witnessed a large number of successful independent movements resulting in the birth of new nation-states, many of which are still going through a transition from a traditional society to a modern state. With the passage of time, such states (mostly known as underdeveloped, less developed, developing and South) and societies have become a major focus of socio-political and economic research mainly because the juxtaposition of traditional society and modern state has given birth to multiple concepts, problems, and conundrums hitherto unfamiliar to the academia as well as the policymakers. Few of the many such novel concerns include: acceptance and universal application of laws, vision and implementation of developmental policies, dynamics of social change, rationale of coalitions and party politics, and the dilemmas of effective governance.

The academic world, international agencies, and national or trans-national organisations unanimously agree on the prevalence of corruption and lack of governance being major problems of transitional societies or developing countries.<sup>19</sup> Transitional societies belonging to diverse geographical locations of the world, like South America, Africa, and South Asia, are equally suffering from this malice. Initially, it was believed that corruption is a stage en route to modernisation, which will pass with the subsequent modernising of such societies (Bayley 1966; Dwivedi 1967; Huntington 1968). It was thought as a stage of maturation cycle of the nations; in the words of Robert Williams (2000a: ix), corruption ‘like adolescence, is a phase which countries go through before they reach maturity’.

Later, in the backdrop of the Cold War, corruption was considered as ballast for the vulnerable ship of the developing countries, which keeps them from sinking into the path of revolution, and ultimately, though not explicitly mentioned, communism (Needler 1961; Bayley 1966). Another approach suggested corruption as a catalyst for political development of the transitional societies by contributing to the economic progress,

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<sup>19</sup> There is a plethora of research, from the academic world as well as the international organisations like the World Bank, International Monetary Fund, Asian Development Fund, and trans-national organisations like Transparency International, which holds rampant corruption as a major contributor of the woes of the developing world. For details refer to Chapter 2.



national integration and the governmental capacity of such states (Nye 1967). Finally, corruption was promised as grease for the rusty wheel of the developing countries' economy; and a tool to remove the bureaucratic 'red tape', so widely prevalent in the bureaucracies of the less developed world (Leff 1964; Leys 1965; Bayley 1966; Huntington 1968).

The test of time has proved the above-mentioned assumptions to be rather naïve and simplistic interpretations of transitional societies' very nature and character, as after a lapse of more than fifty years of independent life, corruption is still rampant and pervasive, and governance is low in most of such societies and states. Numerous scholars have forwarded multiple cures for this malfeasance of transitional societies, like: time and economic progress (Wraith 1963), cultivation and acceptance of western standards of public service (Braibanti 1962), and inculcation of the ideals of national interest and elimination of economic inequalities (Leys 1965). Yet, the disturbing fact remains the same that corruption in transitional societies is still on rise, with very rare exceptions<sup>20</sup>.

Presently it appears that either the adolescence of such states is unexpectedly long or it is no adolescence at all. Resilience of corruption is sometimes attributed to its cultural embeddedness in the traditional norms, like gift giving, familial responsibility and tribal or class affinity of the transitional societies. Klitgaard (1988), while discussing the evolution of cultural embeddedness of corruption remarked that European's typical reaction, to newly discovered societies of Asia, America and Africa, was to indicate excessive corruption and lawlessness of these societies. Commenting on the more current scholarship he asserts that, 'but even in more recent time writers have argued that non-western cultures or peoples are more prone to the venal pursuit of private gain, even at the expense of public duty, despite what seem to be strict, traditional codes of behaviour (1988: 23).

While delineating a structural model of corruption, Waseem (2002: 140) goes on to remark that 'the fact that such behaviour is rampant in the Third World has sometimes led to an anthropological approach couched in cultural relativism which sees corruption

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<sup>20</sup> One of the rare examples of successfully fighting against corruption is the case of Hong Kong, which has remarkably controlled this menace in 1970s and is still pursuing the right track. Evidence of this success is the Hong Kong's persistent place, since last many years, among the top twenty cleanest countries of the world in the Transparency International's Corruption Perception Index.

as a cultural attribute of these societies'. This cultural relativism is significantly prominent in various theories of corruption like the one forwarded by McMullan:

In considering the relationship between corruption and traditional society... observers often isolate the customary exchange of gifts as the element in traditional life which has led to growth of corruption in modern times...it is, in my opinion, wrong to isolate one feature of traditional life in this way. There were and are many features of the traditional way of life which, in the context of colonial and post-colonial society contribute to corruption.

(McMullan 1961:186)

Subject research challenges this conception of cultural embeddedness of corruption and tries to prove both qualitatively and quantitatively that culture is not a determinant in the scale and level of corruption and decay of governance in transitional societies.

The research asserts that cultures of less developed or transitional societies are not intrinsically corrupt; rather the weaknesses entrenched in the institutions of these states, coupled with multiple socio-psychological reasons, make them feeble and vulnerable to insecurity, and are consequently rendering the individualistic choices dearer than the collective ones.

Therefore, it is important to have a closer look at the causal chain of corruption, which does not begin with a corruption-susceptible society that breaks down an otherwise theoretically functioning state. Rather it is the neglect of the affairs of state, triggered, *inter alia*, by the lack of means needed for the enforcement of law, which introduces an institutional culture conducive for corrupt practice. The review over this study's sample country in Chapter 4, will illustrate this point in detail in the context of developing states. This research endeavours to explore the reasons for lack of effective governance and widespread corruption in transitional societies or developing states by focusing on Pakistan. Featuring a conventional traditional society and a modern state based on West Minister style of governance, the Islamic Republic of Pakistan offers an ideal exemplar of a society in the process of transition.

Though bureaucratic and political corruption is intertwined and difficult to disentangle, this study focuses primarily on bureaucratic corruption. Investigating the causes of low governance and high corruption in Pakistan, along with the analytical quest of effective

policy framework for controlling the bureaucratic corruption, constitutes the bulk of this doctoral research. This research further investigates whether there is any bright corner available in an otherwise dark, thick and ‘black forest’ of inefficiency, maladministration, patronage, and venality; and if yes, what are the factors responsible for such aberration; and what are the chances for emulation of any such example on macro level?

Amidst the fire of corruption blazing in the corridors of power, both political and bureaucratic, it is astonishing to find any institution which is widely known for honesty instead of corruption, efficiency instead of ineffectiveness, competence instead of ineptitude, and public service instead of ruthlessly ruling the public. One such anomalous institution, the National Highway & Motorway Police of Pakistan, was identified in the entire bureaucratic set up of Pakistan, and has been thoroughly investigated during the course of this research to ascertain both the cultural and contextual elements vital in the shaping of this institution. While the general police is consistently known for being the most corrupt institution not only in Pakistan but also in most of South Asia<sup>21</sup> (Transparency International 2002), the Motorway Police, despite being a policing institution, is a unique example of an efficient, merit based and impersonal bureaucratic institution. Why this is the case, is the central puzzle, this research tries to solve. This study employs comparison of these divergent examples, which is excessively useful from the point of scientific research as two sides of the study maximise the variance in dependent variable, i.e. perceived level of corruption.

## **1.2 Why Pakistan?**

The reasons to choose Pakistan as an exemplar of transitional societies and developing countries were multiple. Pakistan as a post-colonial independent state contains most of

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<sup>21</sup> Refer to the survey of five South Asian countries conducted in 2001-2 by Transparency International in which police was unanimously rated as the most corrupt institution in all the five surveyed countries. This survey revealed that 100 percent of the respondents who came in contact with Police in Pakistan had to pay a bribe. This trend is neither national, or regional rather it's, to a greater extent, a global trend. According to TI's Global Corruption Barometer 2007, police is generally perceived as among the most corrupt institute in the 60 surveyed countries; one of every four citizens of the world who came in contact with the police were asked to pay a bribe. In Pakistan, according to the same report, general public considered police to be the most corrupt institution with a score of 4.3 on a scale of 1-5 (where 1 is completely clean, and 5 is extremely corrupt).

the traits, which are the hallmark of such transitional societies.<sup>22</sup> Pakistan has a strong traditional society juxtaposed with a modern state. It has suffered equally under the autocratic as well as democratic rulers. A strong coalition of civil-military bureaucracies along with influential landed aristocracy forms the political establishment. The Bureaucracy is the second most organised and influential institution after the military and plays a vital part in the running of the state affairs since the very inception of the state. Gross and ever increasing income disparity, low literacy level, rising birth rates, and poor health and sanitation facilities are the permanent features of Pakistan's society. A considerable part of the more than 164 Million<sup>23</sup> citizens is living at the border of or below the poverty line (estimations according to the figures of 2005-6 is 24 per cent; while the Human Poverty Index value for Pakistan is 36.2, and is ranked 77<sup>th</sup> in 108 developing countries, reported by the UNDP)<sup>24</sup>. The Nation acutely suffers from ethnic, regional, linguistic, sectarian and religious divisions. Compared to other South Asian countries Pakistan has a strong state apparatus, but an aid dependent and corrupt government. Affluent business and the political elite class are not providing the trickle down effect needed to strengthen society as a whole. In the words of a prominent scholar on Pakistan affairs 'corruption is understood to be running at a very high level, involving billions of rupees, scores of politicians and bureaucrats from top to bottom as well as various sectors of social life, ranging from politics, administration, judiciary, economy, education health and sports' (Waseem, 2002:139).

According to the Transparency International's latest Global Corruption Barometer 2007, Pakistan falls in the top quintile of the countries most affected by bribery, where more

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<sup>22</sup> Various authors and disciplines define the scope of the term 'postcolonial' differently. Some authors include former settler as well as non-settler colonies in the term. While others specifically used the term for the former colonies and try to distinguish between the post colonial and post imperial. Some people suggest that Pakistan cannot be a postcolonial state, as Pakistan was born after the end of British rule in India. But the term does not only refer to the period after colonialism, rather it alludes to the continuity and impact of the processes and policies, initiated during the colonial rule, on the socio-political lives of the newly independent states. The term postcolonial is used here to refer to the study of the attempted transformation, successful and otherwise, of former colonies in the context of changing imperial conditions.

<sup>23</sup> Population of the country, according to the government of Pakistan sources ([www.statpak.gov.pk/depts/pco/index.html](http://www.statpak.gov.pk/depts/pco/index.html)), is around 164 Million in October 2008; while international sources (<https://www.cia.gov/library/publications/the-world-factbook/geos/pk.html#People>) quoted this figure to be more than 172 million in July 2008.

<sup>24</sup> Figure taken from Human Development Report of 2007-8, available at: [http://hdrstats.undp.org/countries/country\\_fact\\_sheets/cty\\_fs\\_PAK.html](http://hdrstats.undp.org/countries/country_fact_sheets/cty_fs_PAK.html)

then 32 per cent of the respondents had to pay bribe in last year. In this quintile Pakistan is placed with Cameroon, Cambodia, and Nigeria in terms of bribe paying frequency, and is second only to Cambodia in the list of countries belonging to Asia Pacific region. In Pakistan, 44 per cent of the total sample had to pay bribe during 2006 for obtaining any of the eleven public services surveyed, while the regional average was 22 per cent and the figure for India was 25 per cent. Repeated failure of different governments in their so called anti-corruption drives has inculcated a rather pessimistic approach among the populace: almost 90 per cent of the respondents believed that in the coming three years level of corruption would either remain the same or will increase. Regarding the effectiveness of the governmental anti corruption efforts, 52 per cent of the respondents considered them ineffective, while only 22 per cent were satisfied with the level of those efforts<sup>25</sup> (Transparency International 2007). One of the respondents of our survey quoted the following incident indicating the level of efficiency of the government agencies in fighting corruption in Pakistan.

I was personally involved in investigating the corrupt practices of an officer who issued more than 300 refund vouchers worth 30 million rupees in 3 days after his transfer from the post. The officer took 30-35 per cent of the amount and rest went to the pockets of tax lawyers, bankers and few others. The matter was conveyed to Federal Investigation Agency (FIA), who recovered some of the amount (2.0 million rupees) from various bank accounts and much went to the pocket of investigating inspector of FIA. Later the officer upon the report of investigation wing of Central Board of Revenue (CBR) was removed from service.

A young, mid-level male officer of Income tax service recorded his personal experience in above incident while filling the questionnaire in Karachi during the survey of civil bureaucracy in May 2007.

However, in the face of such a high level of corruption and lack of governance the Pakistani state has shown a resilient character after the separation of the eastern wing in 1971. After the formation of Bangladesh in 1971, there were widespread speculations that the remaining Pakistan, with an apparently dysfunctional state apparatus, will disintegrate

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<sup>25</sup> GCB 2007 complete report can be viewed at the Transparency International's website: [http://www.transparency.org/policy\\_research/surveys\\_indices/gcb/2007](http://www.transparency.org/policy_research/surveys_indices/gcb/2007)

into various smaller states. Despite all the shortcomings, the very existence of the state of Pakistan is a remarkable achievement. Rather a paradoxical fact is that from 1950-99 Pakistan's per capita growth was a decent 2.2 per cent per year and it has tripled its per capita income in this period which was higher than a third of the world countries in 1999 (Easterly 2001). Pakistan was never lagging behind much in growth but 'development' was and still is dearly missing. In the developmental economics circles, Pakistan is considered an ideal example of "growth without development",<sup>26</sup> and one of the main reasons for this imbroglio is persistent, entrenched and systemic corruption.

The above-mentioned factors, coupled with lack of any systematic study of Pakistan from the perspective of governance and corruption, make Pakistan a case worth investigating. It is not only important to investigate the causes of public sector corruption in Pakistan but even more important is to suggest means to control or at least minimise this menace. Recommendations, based on the views of the real stakeholders, are imperative for bridging the gap between the exogenous policies and endogenous ground realities. It is equally important to achieve such results – employing rigorous qualitative and quantitative investigative techniques – which will be equally applicable to most of the developing world and transitional societies as corruption is a common thread, which runs through whole of the developing world.

### 1.3 The Core Question

The above-explained predicament regarding the pervasive and resilient nature of corruption in the transitional societies, leads the research to the following core question:

*Given the widespread corruption in the developing world, is it possible to control corruption and ensure order in a state through institutional restructuring?*

The very nature of the questions demands rigorous scientific inquiry and detailed investigation, which was conducted with the help of following complementary questions: If generally expressed assertions regarding the prevalence of wide spread corruption in the transitional societies and the developing states are true, then:

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<sup>26</sup> This is the title of Easterly's (2001) study of Pakistan.

- Can one believe that this is a result of traditional culture of the transitional societies or are the institutional structures of such states more responsible for this unenviable state of affairs?
- To what extent an actor's decision to participate in a corrupt transaction is influenced, by his perception of available risk and rewards?
- How important is monetary remuneration and reward, and how significant is the perception of risks in determining the scale of corruption in any institution.
- Why are some institutions less corrupt than others, despite being placed in the same socio-political milieu of a developing state and transitional society?
- How much the 'collective bad reputation' of agents, determines their future decisions regarding being corrupt or otherwise in their dealings?
- Do factors like image, social anticipation, pride in the institution etc. also contribute in the integrity index of the institutions?
- If these factors are important, how could the state incorporate or induce such intangible elements in different institutions?

The research analyses and examines each question thoroughly with the help of both, qualitative as well as quantitative data, collected, compiled and analysed during the course of this study. Singular answers achieved for each question are then compounded together, by placing the pieces together in the model developed later in the chapter, enabling us to answer the above raised questions with a certain degree of confidence, clarity, and precision.

### **1.3.1 Ideal Bureaucratic Model**

The nature of the core question necessitates an unequivocal understanding of the nature and characteristics of the bureaucracy as an institution. Further, to understand the concept of structured or unstructured institutions or to fully comprehend the idea of institutional restructuring it is imperative to elaborate a set of conditions against which structured-ness or unstructured-ness of these institutions could be measured. Since this research basically deals with the issue of governance and bureaucratic corruption, we will employ the criteria forwarded by the Max Weber (1864-1920), regarding the true characteristic of a bureaucracy and the essential position and workings of the bureaucratic officials, as a

standard against which performance of any bureaucratic institution or an official could be measured.

Bureaucracy, according to Max Weber, is, compared to its precedents like charismatic and traditional dominations, a more rational and efficient organisation (Weber 1991). The following discussion about the true nature and characteristics of the bureaucracy and its officials is largely inspired from the Weber's characterisation of the bureaucracy and its officials in his essay 'On Bureaucracy' translated in English by H. Gerth and C. Mills and first published in 1948.

Weber had delineated following six clear characteristics of the bureaucracy:

Bureaucratic authority constitutes mainly of fixed jurisdictional areas in which regular activities are distributed as fixed official duties; authority is delegated in a stable way with special limitation imposed to avoid the indiscriminate use of the authority. To ensure continuous fulfilment of those duties only people with required qualifications are employed.

There exists a system of vertical hierarchy and graded authority, where every lower official is supervised by the higher one; this offers a possibility of appealing against the decision of a lower official to the higher one.

Bureaucratic business is conducted, on continuous basis, in shape of written documents, which are preserved and could be referred to at any later stage.

Bureaucratic work is a specialised field; therefore, thorough expert training is usually a prerequisite for office management.

Bureaucratic activity demands a full working capacity of the official, which means full time occupation, irrespective of the limited office hours of the bureaucratic officials.

Bureaucracies are managed with the help of general rules, which are stable, exhaustive, and which could be learnt.

The above characterisation of bureaucracy reveals certain essential elements of any bureaucracy, which include: fixed responsibilities and controlled authority, vertical hierarchy and continuous supervision ensuring redress of abuse, documentary processing of the official business, well-trained officialdom, full time employment, and conduct of business according to certain rules. Apart from this Weber has further emphasised on the



impersonal conduct of business by the bureaucracy to an extent that he calls it the dehumanised feature of bureaucracy (Weber 1991).

### **1.3.2 Fundamentals of Structured Institutions**

Considering the underlined theme of this research – the structured institutions as a deterrent to corruption and a catalyst for better governance – we enlist here the vital features of a well-structured institution, which according to our understanding have not changed much since the time Weber had proposed his thesis of bureaucracy. In fact a well-structured institution is the one, which is designed more or less on the lines envisaged by Weber more than a century earlier.

The first fundamental feature of a well-structured institution is that it offers reasonable pecuniary compensations, which are sufficient to meet the basic needs of the officials. Having different fringe benefits does not undermine the agent's need and desire for sufficient financial means to meet his daily needs. On the role of financial remuneration in the life of a bureaucratic official Weber has commented that, 'the relatively great security of the official's income, as well as the rewards of social esteem, make the office a sought-after position' (Weber 1991: 203).

The second important feature of a structured institution is training. Not only a kind of training, which makes the official fully adroit in the discharge of his official duties, but also inculcates a sense of responsibility, professionalism, positive identity and pride in the officials. According to Weber, bureaucratic office holding is a vocation, which requires successful completion of a specialised examination and a prescribed course of training as basic prerequisites for selection. This office holding according to him is 'not considered a source to be exploited for rents or emoluments' (Ibid: 199). Trainings designed to teach the officials that the public office, its allied assets and property is a sacred trust, which should remain separate from their private dealing or, as Weber describes, that 'public monies and equipment are divorced from the sphere of private life' (Ibid: 197).

Linked with the second feature of training is the third element of positive self-image, which is as important as the positive actions. Humans have an inherent desire to feel good about themselves. According to the self-esteem maintenance theory of social psychology,

‘humans have a need to see themselves as generally intelligent, sensible, and decent folks who behave with integrity’ (Aronson 1994: 143). They desire social recognition of their good deeds and tend to secure the positive social image created by them. According to Weber, an ‘official always strives and usually enjoys a distinct *social esteem* as compared with the governed’ (Weber 1991: 199). A structured institution not only creates that positive self-image of its officials, of course based on their performance, but also recognises and enhances that image. Social anticipation plays a major role in the decision-making process of the bureaucratic officials, and they are anxious to rectify their image as soon as an opportunity is offered.

Yet another feature of structured institutions is the role of leadership. The officers at the helm of affairs should be thoroughly professional, impersonal, and characters known for higher integrity. Only an honest and dedicated leadership can demand and inspire the similar qualities from the subordinated official force. It is almost impossible to have an efficient, professional and honest institution without having the morally and professionally correct kind of leadership in place.

The last and most important feature of a structured institution is impersonal, unbiased and across board accountability of its officials. Social status along with the permanent nature of the bureaucratic positions, or *tenure for life* in the words of Weber, increases the susceptibility of the officials to abuse of power and corruption. Commenting on the permanence of bureaucratic positions Weber remarked that, ‘where legal guarantees against arbitrary dismissal or transfer are developed, they merely serve to guarantee a strict objective discharge of specific office duties free from all personal consideration’ (Ibid: 202). Structured institutions tend to follow the above quoted classical approach in the matters of permanence of officialdom and make it conditional on the efficient and objective discharge of duties beyond any personal consideration or motives. Security of official income and position are the two major distinctions of public bureaucracy. But to ensure smooth and efficient operations of the institution, both of these have to come under some kind of threat to discourage personal consideration in the discharge of official duties. All the above-discussed features of structured institution lose their significance and viability in the absence of this last feature of strict and universal accountability of all the constituents of the institution.

## 1.4 Hypotheses

Considering the very clandestine nature of the phenomenon, and the allied quest for stealth by the parties involved in the transaction, assessing the true level of corruption in any society or the state is a rather troublesome and challenging task. Academicians as well as practitioners of government, public administration, public policy and political science use the perception of corruption as the reasonably true assessment of the prevalence of corruption. However, this perception is generally collected from the perspective of the client or the general public. Never, to the best of my knowledge, level of corruption has been determined basing on the agent's perception of corruption.

The major tools of policy studies are indeed depending on the reliability of accessible – mostly official – documentaries and on the count ability of phenomena and cases. However, this study aims not merely at assessing the prevalence of corruption in a certain field, rather, embarks from such an assessment onto disclosing its socio-political genesis.

As much as a medical diagnosis of an affected organ is scientifically not merited without a biopsy of the tissue, the human factor of our subject cannot be understood without collecting data from where corruption has its seeds. Due to the presumption that representatives of agencies, which are generally considered as the perpetrator in the case of corruption, are unlikely to disclose its prevalence, this internal perspective has until now been ignored. This research assumes that, **if asked, Agents are willing to give their true perception regarding the prevalence of corruption. (H1)**

It is a general impression that youth being more vibrant and rebellious in nature will have a more categorical and critical view of themselves and of the system of which they are a part. Logically it could be inferred, that with age and experience would follow a change in one's perception and view about an issue like corruption. But the direction of change is hard to determine. However, this research asserts that, **length of experience of public servants has a negative correlation to their perception of corruption in the state and bureaucracy. (H2)**

Ways and means for controlling corruption is a huge debate in the corruption and governance studies. The concept of cultural embeddedness of corruption is still in vogue in some academic circles. However, as already explained this research asserts that culture and context is not a determining factor in the decision-making process of the agent.

Instead of the culture of society, the institutional culture is more significant when it comes to control of corruption. Subsequently, this research maintains that **given the right institutional frame, the probability of reducing the corruption is very high. (H3)**

Despite corruption being an intrinsically economic transaction, there is dearth of research investigating the relationship between financial remuneration of the agents and their susceptibility to indulge in corrupt practices. Moreover, whatever research on the issue is available fails to establish the relationship in unequivocal terms.<sup>27</sup> This research investigates the issue in depth especially from the agent's perspective and assumes that, **if provided with reasonable financial remuneration, agents will prefer to avoid corrupt dealings. (H4)**

Apart from reasonable compensation the second vital aspect for controlling corruption is effective monitoring and supervision of the agent. Principal-Agent-Client theory rates lack of monitoring as the major cause of agent's corruption (Klitgaard 1988). However, at least theoretically, every institution has its own accountability mechanisms, efficiency rules and disciplinary laws. Here, the question arises that if all these mechanisms are in place, then why do they fail to deter the agent from indulging in questionable transactions? One answer this research proposes is that despite being stated by the institution, the impact of these repercussions is minimal on the agent, because due to his general observations and past experience, he does not perceive the threat as real. This research believes that, **if faced with credible threats of dire repercussions, agents will not indulge in corrupt practices. (H5)**

Institutions like military and bureaucracy are known for the *Esprit de corp.* running within the institution. But it is a general belief, that in institutions like the bureaucracy, the decision-making process of agents is not much affected by the consideration of the public opinion or the pressure of colleague's expectations. However, this research expects that, **if peer pressure is high, it will induce self-policing and self-censorship among the agents, leading to low incidence of corruption. (H6)**

Agents belonging to various institutions of civil bureaucracy are generally assumed to be having a sense of pride on being a part of that organisation. It can be frequently observed

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<sup>27</sup> Refer to chapter 2 for detailed analysis of research related to causes of corruption especially the question of sufficient financial compensations and the probability of being corrupt.

that such sense of belonging does not contribute much in curtailing the corrupt activities of the agents belonging to such institutions. This research points out that if any organisation has a positive general image and **if corporate identity is higher within that institution, likelihood of corruption will be low in that institution. (H7)**

## 1.5 Theoretical Paradigm

Any social science research sans strong theoretical basis is not more than a story. Qualification of being ‘scientific’ cannot be achieved without a plausible theory as bases of the whole research. A sound theory is a foundation according to which validity, or otherwise, of the hypotheses could be tested. It consequently helps in drawing inferences from the available data. According to King, Keohane and Verba (1994), a good theory has the following compulsory characteristics. First, it should always be open to falsification, as a lot more can be learnt from wrong theories than of those, which are stated too broadly to be contested. Second, to achieve such objective a theory should be ‘capable of generating as many *observable implications* as possible’ (1994:19, italics in original). Third, a good theory should be as concrete as possible, because ambiguous or vague theories do nothing but to confuse the mind and future research.

Continuity of the scientific research and necessity to avoid duplication demands a consummate knowledge of the already conducted research on one’s field of interest. King, Keohane and Verba assert that, ‘In fact we can not develop a theory without knowledge of prior work on the subject’ (Ibid). Though comprehensive review of the academic literature is done in the next chapter, yet to facilitate the understanding of the research model, a brief overview of the relevant terms and theories is presented here. Only those theories will be delineated here, which have a direct bearing on the current research or which are somehow related to the theory developed later in this chapter.

### 1.5.1 Theoretical Perspective of Corruption and Governance

Politics is quintessentially about the collective well being of the larger number of people under one political rule. Corruption being a perverted form of politics, stymies the achievement of this very objective. Political theorists vary considerably not only in their

perception regarding the ability of politics or political rule to achieve the aim of collective good, but they also differ in their perception regarding the utility of corruption.<sup>28</sup>

Methodologically most of the present political science research regarding corruption could be divided into two basic approaches i.e. moralist or functionalist approach. The next chapter delineates in detail the major arguments as well as the theories of these two divergent approaches. Here, however a brief reference to the underlying basic themes of the theories under these two approaches will suffice to facilitate the understanding regarding the positioning of the current research in the body of knowledge available on the subject.

The moralist approach looks at corrupt behaviour from moral standards, and the underlying theme of this approach is that corruption is a harmful, bad, and condemnable phenomenon regardless of any time and space consideration. It is an immoral deviant behaviour with detrimental impact for the social, political and economic stability of the state. According to this approach 'corruption is blamed for lowering of national respect, for reducing administrative efficiency, hindering economic development and for undermining political stability. It is '... a cancer on society which must be removed if the patient is to survive' (Williams, 1976:43). Though never put unequivocally, one can safely infer from the moralist's theories that corruption has a major contributory share in the low level of governance in the transitional societies and developing states.

On the other hand, proponents of functionalist approach try to avoid moralising and concentrate more on the utilitarian qualities of corruption. These theories argue that, if corruption was so detrimental, it would not have existed.<sup>29</sup> Specifically considering the prevailing conditions in the transitional societies or the developing world, functionalists view corruption as a compensation for the insufficiency of the political and administrative arrangements available in such societies and states. Functionalists consider corruption as a mean to cut the red tape, improve administrative efficiency, reduce political friction, substitute for reforms, avoid revolutions, lubricate the rusty wheel of the

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<sup>28</sup> For a complete account of the utility of political rule see Philp (1997); for a comprehensive view of the different approaches regarding utility of corruption refer to sections related to Moralism and Functionalism approach in the next chapter dealing with review of the literature.

<sup>29</sup> Argument was made by: Werlin, H. 1972. 'The Roots of Corruption: The Ghanaian Case', *Journal of Modern African Studies*, 10 (2): 247-266.

economy, and make demands on otherwise inaccessible political and administrative systems of the developing world. It could be argued that in functionalist's view corruption is a form of recompense for lack of governance, as most of the so-called positives of corruption are essentially the indicators of lower level of governance.

There is hardly any other subject matter so multidisciplinary in nature as the subject of corruption. Various academic disciplines like: Anthropology, Psychology, Sociology, Public Administration, Public Policy, Political Science, and finally Economics, have investigated and researched the topic from their own specific perspective. The upsurge of interest in corruption as a field of academic research in 1990 coincides with the economists' interest in the issue. Economists interpret the functions of government and state working as akin to private business monopolies (Williams 1999). Numbers of empirical studies of corruption use a single case example to propose theories of corruption. Though these theories do not provide for hypotheses testing in a systematic manner, yet they provided sufficient material for the existing body of knowledge and future research that is more extensive.<sup>30</sup>

#### 1.5.1.1 Definition of Corruption?<sup>31</sup>

This research mainly deals with the bureaucratic corruption, which is specifically related to the abuse of public office, therefore, we have employed the World Bank's definition of corruption, according to which 'corruption is abuse of public office for private gain'. The office is a position of trust, where one acts on behalf of the institution through power or authority delegated to one. Corruption means charging an illicit price for a service, which one is suppose to provide anyway, or using the power of the office to further illicit aims. Corruption can entail acts of omission or commission and can involve legal as well as illegal activities. It can be internal to the organisation or external to it. A corrupt transaction has normally the following salient attributes:<sup>32</sup>

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<sup>30</sup> Few of the more prominent among many of such studies are: Wade (1985), Shleifer and Vishny (1993) and Olson (1995).

<sup>31</sup> Detailed discussion about the concept of corruption is presented in chapter 3.

<sup>32</sup> Inspired by the seven attributes of corruption given by: Almann von Ulrich. 1995. 'Corruption in Germany the Debate in Politics and Political Science', Paper prepared for the IX Jornadas de Filosofía Práctica, organised by the Facultat de Dret Universitat Pompeu Fabra Barcelona May 25 and 26, 1995 at Tossa de Mar.

- Involves a seller or provider of a service or commodity.
- Seller has the legal right to provide that service or commodity.
- Involves a buyer who is willing to buy that service or commodity.
- An illicit price or a promise of such price, in cash or kind, is involved.
- One way or the other any socially recognised moral code is broken.
- Both try to keep the transaction secret, especially the seller.
- Somebody's interest, other than the seller's, is compromised.

Four different modes inherently ensconced in the concept of corruption are: bribery, extortion, nepotism, and kickbacks. Theoretically corruption could be divided into two broader subgroups or subcategories: need-based corruption, and greed-based corruption.

#### 1.5.1.2 Need Based Corruption (NBC)

Need based corruption is the corruption done to acquire or fulfil the necessities of the life. When financial remunerations of public officials are too meagre to meet the basic amenities, they resort to charge illicit prices, in addition to the legal ones, to satisfy their basic needs. They start charging illicit prices for the services they are suppose to provide free of cost. Corruption is primarily motivated by circumstantial necessity; it is more an issue of economics than morality. In the less developed world the major share of corruption, in quantitative terms, belongs to this category.

But this lowered moral tendency is not irreversible, as we can infer from Maslow's theory of the 'hierarchy of needs' (Maslow 1943).<sup>33</sup> The guru of modern management has

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<sup>33</sup> Maslow (1943), the father of modern management, in his groundbreaking theory of human motivation has divided the human motivations according to five different categories of needs: physiological, safety, love, self-esteem, and self-actualisation needs. Physiological needs involve hunger, thirst and sex. Safety needs refer to human need to be safe from unexpected dangers like any wild animal, extremes of temperature, criminal assault, murder, tyranny etc. Love needs signify human's desire to have affectionate relations like friends, beloved, children and a desire to give and receive love. Self esteem needs further divided into two categories: first, relates to a need for strength, achievement, confidence, independence and freedom; while second, refers to a desire for reputation, prestige, recognition, importance and appreciation from others. Self-actualisation is the highest form of needs and relates to ones desire to do what one is fit for; like a musician must make music and a painter must paint. 'What a man can be, he must be' (page 382). These different stages of need determine human motivation accordingly; for a hungry and thirsty individual the strongest motivation would be to satisfy his hunger and thirst. Clear emergence of these blocks of needs depends on the prior satisfaction of the preceding needs. It is only after the satisfaction of physiological needs that individual will be motivated by the need for safety. Need for love will motivate the person once first two blocks of need are satisfied, so on and so forth.



ordered the needs, which motivate human behaviour from basic to higher levels and finally self-actualization. Satisfaction of physiological needs is followed by the need of social security, which again has to be relatively satisfied, before energy can be put into the arising needs of belonging and self-esteem. Maslow observes that a new arousal is usually accompanied by significant changes in the set of values. Personal rationale and ideals are being reshaped in accordance with, what is required to be a safer more respected person. From this we can infer for our subject study that an agent who resorts to corruption to fulfil his basic needs has a diminished psychological censure for corruption; it will be unwise to expect from a need based corrupt agent to operate according to the higher stages of motivation. With the satisfaction of his basic needs, by legal means, his resistance to corrupt behaviour would be enhanced.

Where the majority of the lower and middle level public agents are most of the time busy in fighting the battle for their survival, resorting to corruption is a mean to that end. This process cannot be controlled without ameliorating their economic conditions. Following views from one of the respondents substantiate the above point very clearly.

An official left me speechless when he explained the reason for corruption. His 7 years old daughter is suffering from bone marrow cancer. Under the rules he cannot get reimbursement, as out door treatment facility is not available to his cadre. He can either prepare fake documents for admission in the hospital, which is quite difficult. In addition, he is compelled to grease the palm of all intermediary personnel, which includes his own department and account department. Another official (it was generally considered he does not have the brains to think) requested he might not be required to sit late in the office. Explaining the reason he stated that he along with his wife had to work late night for extra income. Mind you, his salary was Rs2,000. He had two young kids and lived in a rented house.

A male, mid-level officer (BPS18) of Income Tax service shared this personal experience with the author, while filling the questionnaire during the survey in May 2007. Respondent was a married young man from Punjab and he himself had four dependents

Bribery and extortion is the major mode of such corruption, which is petty in most of the cases. This sort of corruption is not very expensive in terms of value for the client but it is lethal for the image and reputation of the institution and the state. It is lower in value,

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higher in incidence and more damaging to the society, but not extremely hazardous for national economy.

### 1.5.1.3 Greed Based Corruption (GBC)

Greed Based Corruption emanates from the insatiable desire to have more than is needed for survival. Actors involve in such corruption, mostly have sufficient means, for a reasonable living, but insufficient moral character. Avarice instead of need is the bases of such corruption, and luxury instead of necessity is the objective of their pursuits. Actors indulging in GBC mostly belong to the higher echelons of the public sphere and usually enjoy a sense of impunity against any kind of reprehension or repercussion of their actions. Such corruption falls within the category of mega corruption and often involves senior bureaucrats and influential political elites.

Despite having the low visibility to society at large, impact of this sort of corruption for the national economy is enormous, which affects society as a whole. Latin proverb, *corruptio optimi pessima* – the corruption of the best is the worst (Werner 1983: 150), signifies the deleterious nature of this form of corruption.

The monetary value of this corruption, for the client, is usually high. The average number of occurrence is significantly less than that of NBC. GBC is generally extremely damaging for the national image as it more often than not involves the international clientele. Control of this kind of corruption is almost impossible without indiscriminate and ruthless accountability. Following table compares the salient features of both kinds of corruption:

**Table 3 Comparison of NBC and GBC**

	<i>Actor</i>	<i>Clientele</i>	<i>Monetary Value</i>	<i>Rate of Incidence</i>	<i>Social Impact</i>	<i>Economic Impact</i>	<i>Control Mechanics</i>
NBC	Low & Mid Level	General public	Low	High	High	Low	Economic
GBC	High Level	Business Industry MNCs	High	Low	Low	High	Administrative

#### 1.5.1.4 What is Governance?

Governance is a vast concept, spread over an entire range of inter- and intra-institutional activities concerned with governing. Governance is all about managing the economy and society in a manner acceptable and profitable to the maximum number of people. Being an all encompassing concept, governance covers social, political, and economic aspects of the state; 'thinking about governance means thinking about how to steer the economy and society, and how to reach collective goals' (Pierre and Peters 2000:1). In other words, governance is the means to achieve the fundamental goal of the state i.e. pursuit of collective good. The ways employed by the state for achieving its primary objective are known as good governance. Governance is quintessentially the means to achieve the ideal ends of the state and corruption is one of the major obstacles to the achievement of those ends. 'In contrast to the mounting scholarly research on the consequences of good governance, our knowledge about what causes governments to be clean and efficient is still in its infancy' (Adsera et. al 2000: 5).

The last decade of the 20th century witnessed the simultaneous emergence of both governance and corruption as the key concepts at the stage of social sciences. It is rather hard to pinpoint which preceded the other; whether it was the academic interest in governance, which fostered the detailed investigations of corruption or the other way round. The concept of governance has often been used in multiple ways; it is hard to think of governance in terms of a monolithic phenomenon, in fact, it will not be wholly without merit to suggest that the concept has gained as many meanings as the number of scholars who have attempted to study it. International institutions like the World Bank and the IMF adopted good governance as a major reform objective since the early 1990s. Some authors see governance as coordination of different sectors of economy (Campbell et al. 1991; Hollingsworth et al. 1994); others explain the concept in terms of corporate governance (Williamson, 1996), and some as policy networks (Rhodes, 1997). Another face of governance is that of public-private partnerships (Pierre, 1998), and the steering of society by the state (Pierre and Peter, 2000). Last but not the least, governance has been defined as orderly rule (Mitra, 2006), a concept which has been furthered in its implication during the course of this research.

When daily interactions and transactions among individuals and the state institutions cannot be fulfilled without compromising one's self respect, integrity and personal freedom, it is an indicative of moral and political decay. This decay renders the orderly rule of society next to impossible. If the orderly rule in a state goes kaput, the problem of governance ultimately becomes a problem of politics. Marred interaction between the state and society ultimately leads to a low level of governance in the state.

Historically speaking, the explanation of this decaying orderly rule has acquired three different approaches: institutional, moral and economic. The institutional approach stipulates that old and archaic institutions cannot meet the expectations of an ever-increasing population whose values and demands have changed enormously since the time these institutions were built. The moral approach sees undesirable moral changes resulting in a valueless population, which places unwarranted demands on the institutions. Lastly, economic interpretation views unequal distribution of wealth and power as the key factor, unleashing the forces responsible for estrangement between the population and the state leading to social collapse (Dobel 1978).

The latest approach to study the dynamics of orderly rule is based on the neo-institutional rational choice model, which emphasises the role institutions can play in ensuring the environment of high governance and stable orderly rule in the state. This approach focuses on the rational behaviour of the actors and maintains that their decision to play by the rules of the game is determined by their perception of available risks and rewards, but not by any other consideration like context or culture (Mitra 2006). This research also employs the neo-institutional rational choice theory to explain the corrupt or responsible behaviour of actors in any given transaction.

### **1.5.2 Theoretical Modelling of Corruption**

Theoretically, corruption is mostly explained with the help of the Agency theory (Eisenhardt 1989), which focuses on two actors: a principal, who delegates work to some one else, i.e. the agent. The relationship between the principal and agent is inherently a contractual one (Gormley and Balla, 2004: 53, 54). This theory focuses on the resolution of two problems attached to this contractual arrangement: first, problems arise when the goals of principal and agent are in clash, especially as 'it is difficult or expensive for the

principal to verify what the agent is actually doing'; and second problem arises 'when principal and agent have different attitudes towards work' (Eisenhardt, 1989: 58). The principal, according to this model, is the policy maker/higher up of any organisation or institution. He could be any Chief Executive Officer (CEO) or the bureaucratic head of any public department, political elite, or a high level executive like the president or the prime minister, depending upon the discipline employing this theory, and the scope of the case under analysis. The agent, as per agency model, is the one delegated to take decisions and implement the policies made by the principal i.e. a corporate executive, street level bureaucrat, ministerial desk officer, or policy executioner field expert. The relationship between the both is based on an implicit mutual trust. Agency theory is based on certain assumptions: first, it assumes that individuals seek their self-interest, have bounded rationality,<sup>34</sup> and have certain risk aversion; second, it assumes that there exists a goal conflict among the members of any organisation; and last, it sees information as a commodity, which can be bought (ibid).

Corruption occurs when the agent breaches the contractual trust and instead of principal's interest acts explicitly or implicitly either for his own benefit, or the advantage of any other person or group associated with the agent, or accords any other third party advantages in exchange for a reward, in kind or cash, from that third party.

#### 1.5.2.1 Principal-Agent-Client (PAC) Model of Corruption

One framework based on agency theory, which is of special relevance to this research, is the Principal-Agent-Client or PAC model.<sup>35</sup> This model introduced Agency theory, with the addition of a third party known as Client or general public, into the realm of corruption studies. While its application to the study of political corruption is not beyond doubts, PAC model is specifically useful for the analysis of bureaucratic corruption (Johnston 1996). Prior to its introduction, it was believed that it takes two parties for a

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<sup>34</sup> The term 'Bounded Rationality' was coined by one of the most influential social scientists of the last century, Herbert Simon (1916-2001). This term refers to the rational choice that takes into account the limitations of both knowledge and cognitive capacity. This idea of bounded rationality asserts that most people are partly rational and partly irrational or emotional, and that purely rational decisions are mostly not feasible because of the limited resources available to the decision maker. For detailed explanation see: Simon, Herbert. 1982. *Models of Bounded Rationality*. Vol.1 & 2. Massachusetts: MIT Press.

<sup>35</sup> For a comprehensive presentation of PAC framework see Rose-Ackerman (1978) and Klitgaard (1988).

transaction to qualify it as corrupt: a corrupter and one who is corrupted (Galtung 1998). Klitgaard (1988) deviated from this traditional notion and pointed out that there are not only two but always a third party, i.e. the public, involved in any corrupt transaction. According to this PAC model, the principal plays the most vital role. He selects the agent, assigns powers to the agent, defines the relationship between the agent and the client, and chooses the incentives and penalties for the agent.

Agency theory views human behaviour as predominantly rent seeking and suggests that human beings tend to maximise their self-interest. If government officials or state agents are given the opportunity to involve illegal practices to achieve this aim, they will do so unless they are closely supervised and effectively monitored. Klitgaard (1988), employing Agency theory, specifically emphasised on the various dimensions of institutional structures. According to this theory the level of corruption, C, could be expressed in terms of the following equation:

$$C = M + D - A$$

Where M refers to monopoly powers, D discretion of the officials, and A the level of accountability within an institution.

According to the PAC framework, the pursuit of self-interest supersedes the contract between the principal and the agent and corruption occurs, 'when an agent betrays the principal's interest in pursuit of his own' (Klitgaard 1988:24). This model asserts that corruption happens because effective monitoring of the agent is too costly for the principal (Ibid: 72). Another well known scholar of corruption, who used agency theory, states that 'while superiors would like agents always to fulfil the superior's objectives, *monitoring is costly*, and agents will generally have some freedom to put their own interests ahead of their principals' Rose-Ackerman (1978: 6,7) (italics added by the author).

Apart from bringing economics in to the field of corruption research, this theory shifted the focus from the debate about whether a certain act is corrupt or not, to the interaction and interrelations of state institutions and agents, which cause corruption. This research also employs the PAC theory in combination with neo-institutional rational choice theory of governance. However, certain modifications have been made to enhance the congruence of the PAC framework into the realm of political science instead of

economics. More importantly, current research questions and challenges one of the major postulates of the PAC theory of both Rose-Ackerman and Klitgaard that state corruption occurs because meaningful monitoring is too costly for the principal. Our research asserts, with examples from the field, that effective monitoring of the agent is not as costly as it is generally perceived, and corruption happens not because effective monitoring is too expensive but due to lack of will on the part of principal.

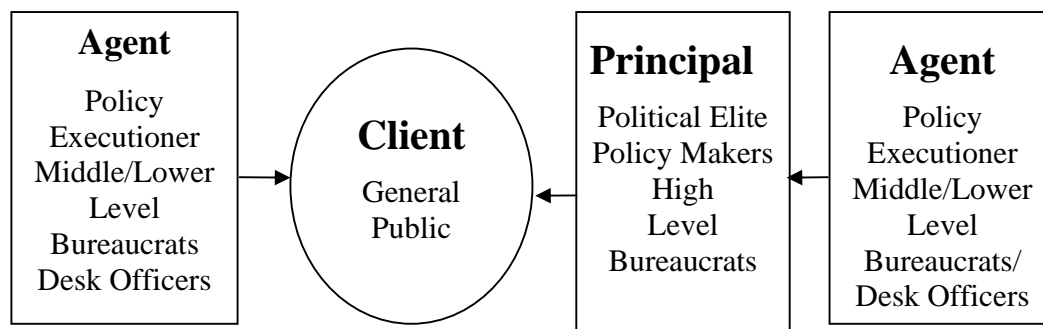
### **1.5.3 Theoretical Dynamics of Corruption as a Phenomenon**

The PAC model is useful in a number of ways but its dependency on the principal leads to various difficulties regarding reform, because any move towards transparency and enhanced accountability will lead to reduction in the discretion of the principal and ultimately erosion of political power (Galtung1998). This research interprets the principal-agent relationship as a relationship between the two rational political actors. In the words of Lord Acton (1834-1902), *Power corrupts and absolute power corrupts absolutely*, so is the case with principals and agents involved in corrupt transactions. Our interpretation of this PAC model suggests that the principal has the power, which he delegates to the agent who, motivated by self-interest, abuses that power. Being a rational entity, the agent abuses the power as long as he can be sure of minimal repercussion. The agent will stop abusing the power if, (a) he feels that his self-interest is legitimately taken care of, though not as good as it could be in case of abuse of power; (b) he perceives a credible threat to his source of power in case of continued abuse of power.

One way out of PAC quagmire is shifting the balance of power equation in such a manner that the troika of principal, agent, and client shares almost equal power. Ideally the client's share of power is marginally bigger than the respective shares of agent and principal. This is precisely the reason for relatively less corruption in established democracies, where the agent is controlled by, and is answerable to the principal, who in turn is answerable to the client. It is the client who, due to his ability and capacity to change the principal, whenever he is not satisfied with his (principal's) performance, is the real power holder in this equation. Client in these societies is educated, knows his rights, and duties of the principal and agent; and can trust the judicial system in case of any conflict of interest. Besides, in developed Western societies the space between the

individual and the state is filled by established institutional structures; employed by the client, if necessity arises, to influence the decisions of the principal. Elaborating such structures of developed societies, Reddy and Haragopal (1985: 1154) pointed out that, ‘in western societies this role is played by well-organized lobbies - the institutionalized forms of various pressure groups present in the socioeconomic system’. In such societies it is in the self-interest of the principal to monitor and ensure the smooth working of the agent, because otherwise his own position is at stake. Being rational actor, principal wants to retain his position, which he does by ensuring the proper functioning of the agents. The following flow chart illustrates how both principal and agent are answerable to the client:

**Flow chart 1 Established Societies or Developed World**



However, this solution is unfortunately not readily available for most of the transitional societies of third world or developing countries. Rather in developing states or transitional societies, principal and agent collude with each other, both abuse their power and both join their forces when the client demands his or her rights. In most of developing states colonial legacy, which accentuates the gap between the ruled and the ruler, is still dominant in the public institutional structures. Absence of any formal institutional link between the client and principal or agent has given birth to the informal institution like ‘Pyraveekar or fixer’ in such states.<sup>36</sup> Notwithstanding their utility, mostly

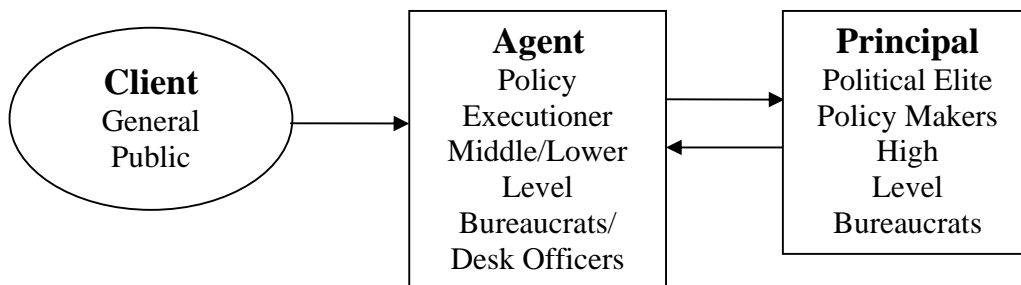
<sup>36</sup> For a detailed account of such fixers and the role they play in the rural India refer to Reddy and Haragopal (1985) and Manor (2000). However, to facilitate understanding here we will just give the definition of the Pyraveekar who, ‘is a middleman possessing professional skills in exerting pressure on the administrative system ... that is, the art of approaching officials for favors and making the wheels of administrative move in support of such favors’ who do not hold any formal political or administrative position (Reddy and Haragopal 1985: 1149)



such institutions also contribute in the manipulation and exploitation of the client. (Ibid: 1150-1160).

Lack of true democratic process and its concomitant power sharing attributes results in the supremacy of principal and agent over the client. Or if a democratic apparatus is in place, as in case of India, prevalent lack of education among the masses coupled with the socio-economic dominance of ruling elite, and the cumbersomeness of the judicial process leaves the client with little hold over principal or agent. Principals or agents in such societies are not irrational. Rather they act purely rational (not necessarily from a long term generational perspective) and strive to ensure their interest, which is maximised by indulging in corrupt transactions. Clients in such societies and states completely lack or have little power to influence the principal, which results in an unrestrained abuse of power in the shape of corruption, by both principal and agent. The following flow chart explains the balance, or rather the imbalance of power equation in transitional societies or the developing world:

**Flow chart 2 Transitional Societies or Developing States**



#### 1.5.3.1 ‘Otherness’ of the Institutions: Another Explanation<sup>37</sup>

In the endogenous and exogenous nature of institutions lies another explanation of this distinction between the established democracies and developing or post-colonial states. Institutions, their procedures, rules and laws in established democracies or the developed societies have evolved through hundreds of years of experimentation. Consequently, their rationale and existence is beyond any doubt in the eyes of both agents and clients. It is a

<sup>37</sup> Othering or otherness is basically a way of defining one’s own identity by means of stigmatizing the ‘other’. This term is used here to describe the dissociation masses of post-colonial developing states feel towards the administrative and bureaucratic system of their countries; which, in the collective memory of the masses, are associated with their former colonial masters.

general observation that humans abide by the laws, more easily and regularly, which they intrinsically believe to be beneficial for them. In developed societies both the public as well as private actors believe in the utility and rationality of the institutions and their laws. This renders the task of the principal i.e. ensuring the transparency and efficiency within the institution, relatively less complicated.

However, in case of transitional societies or underdeveloped states, institutions are mostly exogenous. They have not evolved through centuries of actions, interactions and experimentation; rather mostly colonial masters have imported them in finished form from outside. This exogenous nature of the institutions makes their rationale and justification of existence very much questionable in the minds of both client and agent. In the case of exogenous institutions, the agent and sometimes even the principal have an apathetic and indifferent attitude towards their institutions and the laws that govern them. Furthermore, the state institutions and their rule, regulations and laws have little connection to the individual memory of the agents and the collective memory of society. In certain situations image of these institutions, laws and procedures are associated with the bitter memories of the colonial or imperialist past, making it very difficult for the individuals to respect them. This feeling of 'otherness' and scepticism regarding the utility of the laws and the institutions, to which these laws belong, makes it rather complicated to maintain rule of law in society. Resultantly, in such states political will of the principal, to ensure transparency and efficiency, becomes more vital for proper functioning of these institutions; and lack of will is a major cause of high corruption and low governance in such less developed states

## **1.6 Institutional Theory of Corruption**

The puzzle of effective governance, with reference to controlling corruption in transitional societies, is the major focus of this research. As already mentioned, governance like corruption is an essentially contested concept, which signifies multiple images for different minds. In his latest study of the phenomenon in India, Mitra (2006) defines governance as 'orderly rule'. He has employed the number of murders and riots per hundred thousand persons as an indicator of effective governance or lack of it;

asserting that the higher the ratio of murders and riots, the lower is the level of governance and vice versa. Employing the same theoretical paradigm of rational choice neo-institutionalist approach and using the same definition of governance this research uses another yardstick for the measurement of governance, namely: perceived level of corruption. Though significance of corruption as an indicator of governance or lack of it is sufficiently well known<sup>38</sup>, yet any in depth study, measuring the level of governance through the prevalence of corruption in the developing world, is still missing from the academic literature of political science.

The proposed institutional theory for the control of corruption analyses the phenomenon of wide spread corruption and lower level of governance in transitional societies of the developing world, with a dual lens of neo-institutional and rational choice approach of political science. It proposes the both micro and macro level investigation of the problem, focusing on the individual or the agent and the factors influencing his selection of available choices, along with the detailed investigation of the tools, which could be helpful in guiding the agents in making right choices, available to every institution. This theory maintains that Agents, both in developing as well as developed world, are rational actors who seek to maximize their gains. Structured institutions developed on the lines of Weberian Bureaucratic Model (hallmark of developed world) ensure maximization of agent's net gains in honest and efficient conduct. While, on the other hand non-structured institutions (trademark of developing world) offer maximization of agent's net gains in corruption. Hence, probability is very high that same actor A will be corrupt in unstructured institution and honest and efficient in a structured institutional environment regardless of his geographical and cultural origin, orientation and placement.

### **1.6.1 Neo-Institutional Approach to Governance**

This research claims that persistent and entrenched corruption in the developing world is a major reason for lack of effective governance in such states. Though governance

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<sup>38</sup> When Mitra in his elite interviews asked a question about the symptoms of low governance, 70 percent of the respondents rated widespread corruption as the extremely important indicator of low governance in their state. (Mitra 2006:39). Furthermore, World Wide Governance Indicators also uses 'Control of Corruption' and 'Voice and Accountability' among their six indicators of governance. Six indicators used by WWI are: Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law, Control of Corruption.

indicators and the corruption perception indices show a clear association between the level of corruption and the level of governance in a state, yet it is hard to establish the causality between the two. Following table compares the latest Corruption Perception Index (CPI) scores and the World Wide Governance Indicators (WWGI) scores for six countries, representing both developing and developed state, ranging from lowest to highest level of governance. CPI uses 1-10 scale, where 1 stands for most and 10 for least corrupt. WWGI employs a percentile rank of 0-100 according to which a higher score corresponds to a higher level of governance and vice versa. Higher CPI score indicates a lower level of perceived corruption in the state, while WWGI score is an average of the scores for all the six indicators of governance and high average score signifies higher level of governance in the state. Both CPI and WWGI are composite indices based on multiple surveys and most widely used indicators of the level of corruption and level of governance in a state.

**Table 4 Relationship between Corruption and Governance**

	<i>CPI score</i>	<i>WWGI score (average)</i>
Bangladesh	2.0	19.2
Pakistan	2.4	19.6
India	3.5	47.2
France	7.3	84.9
Hong Kong	8.3	87.9
Denmark	9.4	96.3

Source: Based on the data gathered from the CPI 2007 and WWGI 2007.<sup>39</sup>

Even a cursory glance through the table reveals that the scores in both of the columns directly correspond to each other. This symmetrical relationship between the CPI score and WWGI score signifies that corruption and governance correlate strongly with each other. Considering the vastness of the concept of governance one can assume that

<sup>39</sup> Figures are obtained from the following web sites of Transparency International and the World Bank: [http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2007](http://www.transparency.org/policy_research/surveys_indices/cpi/2007) and [http://info.worldbank.org/governance/wgi/sc\\_country.asp](http://info.worldbank.org/governance/wgi/sc_country.asp). WWGI score has been calculated by taking an average of scores for all the six indicators measured by WWGI.

causality runs from prevalence of corruption to lack of governance and not the other way round. One can argue that if that was not the case, then all the institutions should be uniformly corrupt in a badly governed state. However, we have found out that the level of corruption, even in badly governed states, not only differs in different institutions, but rather some of them are astonishingly less corrupt. Different levels of corruption in various institutions could lead to a general atmosphere of low governance but not vice versa.

The proposed institutional approach for controlling corruption asserts that contrary to some scholastic belief, corruption in transitional societies is not a culturally embedded phenomenon but rather an institutional problem. In addition, it can be contained, to a reasonable degree, by institutional restructuring. Regarding control of corruption in the developing world, this theory supports a top-down or institutional restructuring approach instead of a bottom-up or societal reformation approach.<sup>40</sup> Institutional analysis approach of governance asserts that resistance to change, though present, is less found in the institutions as compared to society as an entity. While discussing the role institutions can play in the development of governance culture Pierre and Peter (2000) have noted:

...Whether the best strategy ...is to build civil society or to construct the institutions of governance. The institutionalist answer is, of course, that the more effective course of action is to emphasise building the institutional structures needed for governance.... This strategy is likely to be effective if for no other reason than that institutions are probably more malleable than is society.

(2000:44)

Similarly, the proposed theory and research also concentrates on institutional change or institutional restructuring in the bureaucratic institutions of the developing world and asserts that widespread corruption in the transitional societies is not a cultural problem; it is rather the problem of the institutional culture. Notwithstanding the importance of societal culture, this research asserts that the surge of corruption could be brought at least under control. Every successful policy comprises of immediate, mid-term and long-term

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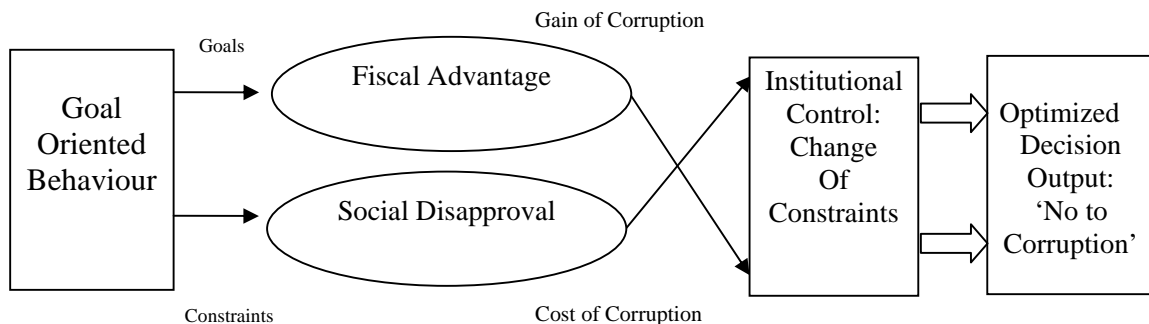
<sup>40</sup> According to the latter approach the cycle of reformation should move from society to the state that means efficient and better members of society will make better members of various institutions, ultimately making them better institutions. While according to the first approach, which is the institutional approach of governance and which this research also employs, effective leadership at the top of institutions will have a trickle down affect on the whole of state's institutions

solutions. To contain corruption, laws can be immediately implemented in institutions. By applying them rigorously the institutional culture will be reshaped with time. Changing the ethos of the society regarding corruption is the long-term solution that guarantees the sustainability of the previous efforts on the long run.

### 1.6.2 Rational Choice Explanation of Corruption

The level of corruption, in certain institutions or bureaucracy in general, in the developing world could best be explained with the help of the *methodological individualism* of rational choice theory; arguing that the level of corruption is a consequence of the decisions made by the individual members of the group under analysis. Furthermore, the decisions of the actors are influenced by their *goal-oriented behaviour*. While goals are being set, by taking into account: the economic, social, political, and institutional constraints. The realisation of available constraints, in achieving the set goals, forces actors or agents to choose the best of the available means to achieve those ends, consequently underscoring the need for *optimised decision-making*.

**Flow chart 3 Optimised Decision-Making in Structured Environment**



As constraints affect the decision-making process of the actors, so does the change in the constraints. Resultantly, in the language of rational choice theory, the level of corruption can be altered by influencing the decision-making process of the agents through changing the constraints available to the agent. This decision-making process of the actor or the agent can best be influenced by the institution, as institutions have the capacity and

authority to affect the range of possibilities available to any actor for making a decision. Hence, institutions hold the key to the level of corruption or governance in any society.

Rational choice theorists consider ‘approval’ and ‘money’ as the two main motivating factors for social and economic transaction or exchange respectively. Corruption being an economic exchange is motivated by money but nevertheless, it is a social exchange also, which should be motivated by social approval and deterred by the lack of it. However, the extent of corruption in developing states indicates that either corruption is not deterred by the lack of social approval or it has the social approval. If the former case is true then phenomena of corruption should be regarded as an exception to rational choice theory, and will require further in-depth investigation from rationalist point of view. And if the latter reason appears to be the cause, this would require more than ordinary measures on part of not only the state but also the civil society to redress the issue.

Klitgaard (1988:63) pointed out that ‘corruption is a crime of calculation, not of passion’, so another possible explanation could be that corruption is deterred by social disapproval but at the same time it is motivated by the monetary gains. An agent’s decision to indulge in any corrupt transaction largely depends on his perception of the cost and benefit involved, and his perception regarding the likelihood of being caught. An agent goes corrupt when this attraction or motivation for incentives becomes stronger than the deterrence of restraints: i.e., social disapproval and institutional repercussions.

Institutional penalties could be multiple in nature, like: financial (return of the corrupted amount), material (confiscation of property and assets) or official (reprimand, suspension, demotion, or removal from service). A rational actor or an agent will decide to go corrupt only when the incentive involved in a corrupt transaction is higher than the allied cost of restraints.

### **Gain of corruption > Cost of corruption**

The above equation very clearly offers two alternative routes for controlling corruption: first, reduce the gains of corruption; and second, increase the cost of corruption. The first route of reducing the gains of corruption could be very difficult and complex. The alternative option of reducing corruption – and enhancing governance – through increasing the cost of corruption, is more practical and within the range of instruments available at the disposal of institutions. The costs of corruption can be increased in two

ways: first, through increasing the social disapproval by mobilising society, and second, by increasing the punishment or penalty of corruption.

How an agent views these dynamics of gain and loss, and how much value he attaches to each ingredient is a question of perception. If agents were mainly deterred by social disapproval it would be logical to mobilise the resources in that direction; but if they are more concerned with institutional repercussions it would be advisable to improve those. Prior to starting any anti corruption drive, one must know what will work best in a given social and institutional set-up. Devising any effective counter strategy without having this insight would not only be difficult but also costly. Imported doctrines from outside are unsuitable for addressing the issue in an effective manner, until and unless they take internal perception of the problem into account. Plethora of research has been conducted about the perception of clients regarding prevalence of corruption; the novel aspect of subject research is its focus on the perception of public servants or the agents regarding the causes and control of corruption.

## **1.7 The Model**

The fundamental question today, facing every public actor in the developing world or transitional society is 'to be or not to be, corrupt'. The model developed later in this chapter will assist the policymakers in facilitating the resolution of this dilemma for a rational actor.

Based on the above introduced institutional theory of corruption two alternative models could be constructed for controlling corruption; one focuses on the gains of corruption and the other on the cost of corruption. Alternative modes to control corruption would be: either to reduce the incurred profit for the agent from corrupt transactions, or to increase the cost of corruption for the agent. The model developed for this research belongs to a third category; it focuses on increasing the cost of corruption, but at the same time emphasises on increasing the gains of rejecting or denouncing corruption.

Theoretically, this model assumes that agents are rational actors and their decision to be corrupt or otherwise is influenced by their perception of available incentives and constraints, or in economic terms by their cost-benefit analysis and not by their 'culture



or context'. Haines, as early as 17<sup>th</sup> century, has pointed out the significance of this aspect of human nature, with specific reference to rational decision-making, when he observed that 'interest is a thing that governs all people in the World, both good and bad. A good man knows 'tis his greatest interest to live honestly and uprightly, in the sight of God and man; because then he believes a blessing attends him. A bad man though so foolish as not to regard his future happiness, will yet act honestly too when it is for his advantage so to do' (Haines 1678:5).

Whenever an agent is faced with the dilemma of being corrupt or not, mathematically he has two options available to him: option A: remain honest; option B: go corrupt. For controlling corruption, it is imperative to change the values of these options for the Agent, in other words, change the equation of available risks or rewards to an agent. One way is to increase the risk or cost of corruption (penalty in case of detection), changing option B; the other way is to enhance the reward for not being corrupt, empowering the agent to chose and abide by option A.

If not generally, then mostly in developing world, financial remuneration for public sector positions are relatively less as compared to the similar level positions in the private sector. This leads to the logical question that what makes public sector employment so dearly sought after especially in the developing world. The answer lies in its stability or permanence and social approval or prestige attached with the position. As Weber had pointed out that the tenure for life, security and social esteem makes the bureaucratic positions extremely sought after. Braibanti (1966), while discussing the effects of civil servants screening of 1959 in Pakistan had remarked that 'security of position had traditionally been one of the advantages of government service, and there were few alternate employment openings in the essentially agrarian economy of the nation' (1999:293). Considering the uncertain economic conditions and higher unemployment rates of developing states, the most attractive feature of public sector employment is the life term security of the job. This job security is the Achilles' heal of the public servants in developing world. Targeting this factor, in the sense that it is not guaranteed in case of abuse of power, would be the most effective deterrence against the spread of corruption. This approach will *force* the Agent to choose option A.

Increasing the risk is the half solution; the other half is to increase the reward for being honest and efficient. Acknowledgement and increase in reward of honest conduct would have two pronged implications for the decision-making process of the Agent. First, due rewards for rejecting option B will increase the incentive for doing so; second, attaching both financial as well as social gains with the option A will make the maintenance of the position more dear to him, resultantly, he would *willingly* opt for option A.

This research assumes that agents do not exist in a vacuum; they are not only the units of the institutions, but also the foundations on which institutions are built. It is true that agents are influenced by the culture or environment of the institutions. One agent M could face the same options A and B in a well structured as well as in an unstructured institution; but the cost-benefit equation attached with both options could be entirely different in both institutions. This disparity is at times so vast and so significant that option B in case of an un-structured institution would have all the charms and pluses, which are a distinction of option A in a structured institution. A chaotic and un-transparent working environment gives an agent all the reasons to be corrupt, the correspondent culture of the working place (where posts are prioritised according to the corruption potential associated with each post; where lucrative posts are sold and bought on heavy prices; and where an honest officer is transferred ten times in three months as a reward of her honesty)<sup>41</sup> makes the choice of option B much more attractive for him - to almost an extent which puts his rationality under question in case of not availing the opportunities of corruption. Similarly, it would be almost irrational for an actor to choose option B in a well-structured institution (where there is no concept of prioritisation of posts; where each posting is made on merit; where honesty is rewarded both financially, professionally, and socially; and where corruption is looked at derisively and is punished accordingly).

Adopting the Weberian characterisation of bureaucracy we have identified the life long tenure, a secure pecuniary compensation, and the social esteem as the three basic ingredients of a public sector position, which make it dear to the position holder. According to our institutional theory for controlling corruption, it is imperative to attack these three basic elements for developing any successful campaign of effective

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<sup>41</sup> An income tax officer quoted all these facts to the author during an interview with her.

governance through reduced corruption. In the following equation, which juxtaposes the present situation in structured versus unstructured set-ups, X, Y, Z denote financial gain, social approval, and job security respectively; whereas Xx, Yy, Zz respectively represent financial loss, social disapproval, and job risk.

Option A signifies the conditions in case an agent decides to remain honest; while Option B is the representation of the conditions if agent decides to go corrupt. The mathematical representation of available choices to an agent in a structured and un-structured institution would be as following:

Structured Institution

$$\text{Option A} = X + Y + Z$$

$$\text{Option B} = X + Yy + Zz$$

Unstructured Institution

$$\text{Option A} = Xx + Y + Z$$

$$\text{Option B} = X + Yy + Z$$

Comparative Option A in both types of institutions

$$X + Y + Z = Xx + Y + Z$$

$$X = Xx + Y + Z - Y - Z$$

$$X = Xx$$

Comparative Option B in both types of institutions

$$X + Yy + Zz = X + Yy + Z$$

$$Zz = X + Yy + Z - X - Yy$$

$$Zz = Z$$

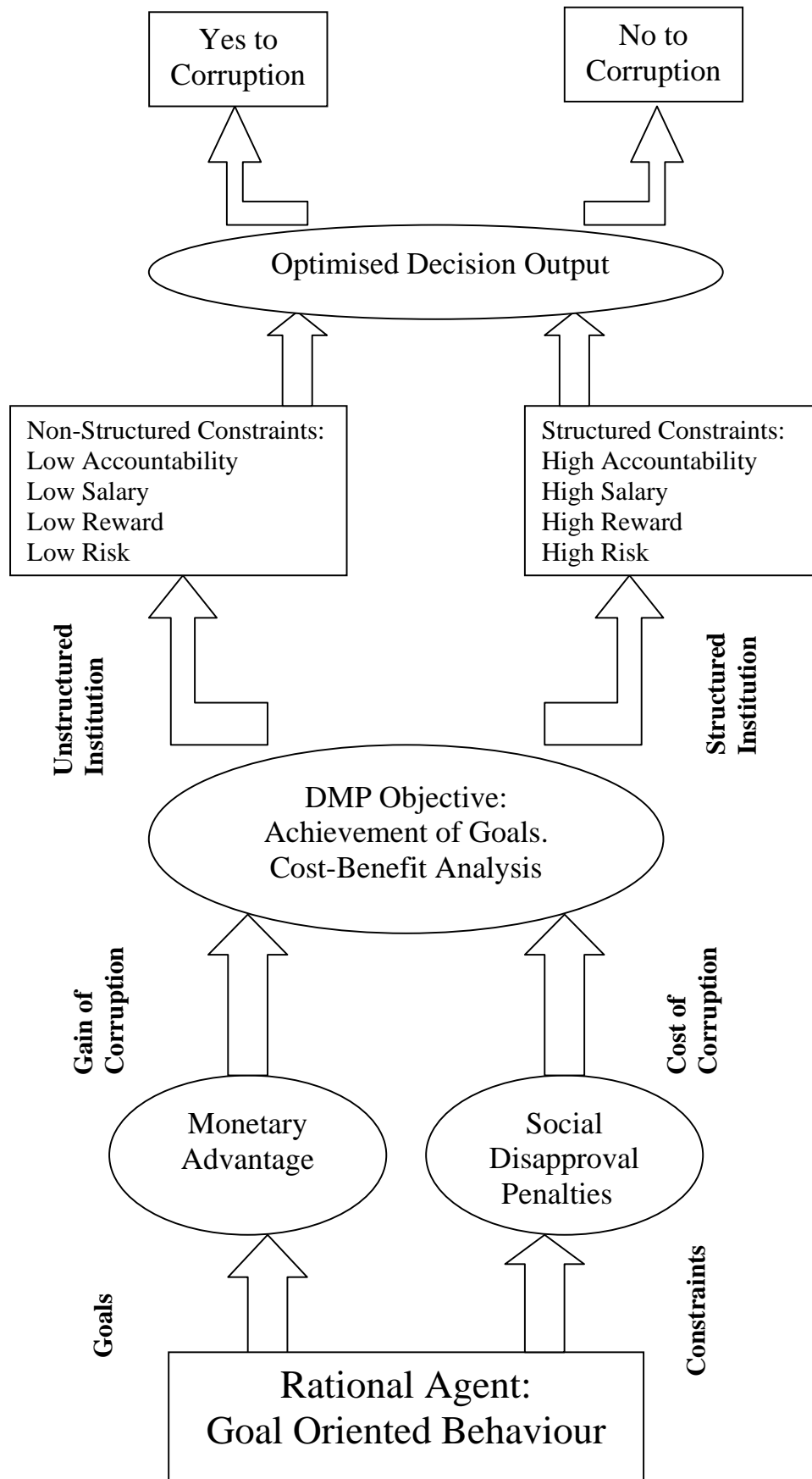
In case of a structured institution, option A – to remain honest – offers, financial gain, social approval and job security to the agent; while the option B in the same set-up offers, financial gain, but results in social disapproval from the colleagues, peers and the risk of losing job in case of being caught.

However, when the same options are examined in case of an unstructured institution it is evident that the decision to remain honest, meaning option A, offers financial loss along with social approval and job security. The decision to go corrupt in an unstructured

institution, option B, represents financial gains and job security plus a minor degree of social disapproval from a minority of honest peers and colleagues.

When option A is compared in the backdrop of two different kinds of institutions, it becomes clear that financial gain in one set of institutions is equal the financial loss in case of other type of institution. This means that in case of choosing to be honest the agent faces the exact financial loss in an unstructured institution, which he gains by rejecting corruption in case of a structured institution. Similarly, when option B (decision to go corrupt) is compared in both sets of circumstances, it reveals that the chances of the agent losing his job in one situation are equal to the probability of his retaining the job in the other situation. Jeopardising ones job is the gravest risk the agent takes in case of opting for corruption in a structured institution, while the security of not losing ones job in an un-structured institution, despite being corrupt, contributes heavily in the agent's decision to go corrupt.

**Flow chart 4 An Institutional Model for Controlling Corruption**



## **Chapter 2**

### **Literature Review**

Despite being an archaic phenomenon, the body of knowledge on corruption is almost half a century in age. The coming chapter overviews the progress this body of knowledge has made, over a period of the last 50 years. Considering the multidisciplinary nature of the issue, covering the whole spectrum of knowledge about the subject from all different angles would go too far; here an effort is made to incorporate the academic works, which contributed significantly in the evolution of the knowledge in general, and to the field of political science research in particular.

The chapter thoroughly analyses the two fundamental schools of thought, which dominated the whole body of research on the issue since 1960s: the functionalist and the moralist school of thought. This chapter critically evaluates the functionalist's arguments regarding the utility of corruption as: a tool of modernisation; an instrument of preventing revolution; a mechanism of political stability; a mode of political influence; and as a lubricant for the rusty machine of economy. The chapter questions the utility argument of functionalists and asserts that finding positives of corruption is like searching for a needle in the heap of hay. With the help of moralists' point of view, the chapter asserts that the functionalist argument is, flawed, suffers from selection bias and based on anecdotal evidence.

Beyond analysing the functionalist/moralist debate, the chapter also reviews the plethora of empirical research done by multidisciplinary researchers since 1990. The empirical research on the causes of corruption has been analysed according to the major investigated reasons of corruption like: size and kind of government, institutional quality, competition, merit and recruitment, political system; and cultural determinants affecting the level of corruption. The chapter is divided into three sections: the first section dwells on the detailed view of functionalist school of thought regarding the utility of corruption; the second section entails an overview of the moralist approach to the study of corruption; and the third section deals with the academic progress, so far made by empirical research in investigating the causes of corruption.

## 2.1 The Paradox of Research on Corruption

The research on corruption suffered from a bias treatment, especially from the hands of western scholarship. While western social scientists never hesitated from exposing the presence of this malice in their political, social or administrative sphere,<sup>42</sup> yet they displayed an apathetic disinterest in the presence of the same problem in the less developed societies. It was not long ago that corruption in South Asia, despite being a widely discussed theme in public debate, was almost a taboo as a research topic and was rarely mentioned in the scholarly endeavours of the American and the western scholars. This indifference on the part of western academic intelligentsia was attributed to a general bias characterised as 'diplomacy in research', according to which embarrassing questions were avoided by ignoring the problems of attitudes and the institutions. Wide spread corruption in the region was rationalised by certain sweeping assertions: that it is a universal phenomenon; that considering the colonial and pre-colonial institutions and attitudes it is natural in the South Asian context; that it is a lubricant for the rusty political and administrative machinery of the region; and that the public outcry, in the countries of the region, is an exaggerated expression of a situation which is not as worse as it appears (Myrdal 1968:938-939).

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<sup>42</sup> There are a number of historical studies of corruption and corrupt practices in Britain, Europe and inquisitional studies of United States. A very well known study of the first sort is: Gash, Norman.1953. *Politics in the Age of Peel*. London: Longmans; Wraith, Ronald and Edgar Simpkins.1963. *Corruption in Developing Countries*. London: George Allen & Unwin Ltd. can also be included in this genre as half of the book is devoted to the historical study of corruption in the eighteenth and nineteenth century Britain and how the Victorian England succeeded in destroying the system of corruption. Also relevant in this regard are: Swart, K.W.1949. *Sale of Offices in Seventeenth Century*. The Hague: Nijhoff; Mayes, R. Charles. 1975. 'The Sale of Peerages in Early Stuart England', *The Journal of Modern History*, XXIX. 1. Robinson, R.M. 1953. 'The Lynsky Tribunal: The British Method of Dealing with Political Corruption', *Political Science Quarterly*, Vol.68 (1): 109-124; Gwyn, B. William. 1962. *Democracy and the Cost of Politics in Britain*. London: The Athlone Press. Some of the more prominent studies on corruption in Europe include: Brasz, A.H. 1963. 'Some Notes on the Sociology of Corruption', *Sociologica Neerlandica*, Vol.1 (2): 117-125; Eschenburg, Theodor. 1964. *Zur politischen Praxis in der Bundesrepublik*. Munich:Piper. Much of the literature related with corruption in United States has been reviewed in: Key, V.O.1961. *Politics, Parties, and Pressure Groups*. New York: Crowell. Other relevant works on American corruption include: Ford, J. Henry. 1904. 'Municipal Corruption', *Political Science Quarterly*, Vol.19: 673-686; Wilson, Q. James.1966. 'Corruption: The Shame of the States', *The Public Interest*, Vol.2: 28-38; Speed, J.G. 1905. 'The Purchase of Votes', *Harper's Weekly*, Vol.49 (1): 386-387; Hofstadter, R.1955.*The Age of Reform*. New York: Vintage; Hutchinson, J.1970. *The Imperfect Union: a history of corruption in American trade unions*. New York: Dutton; Gardiner, A.J.1970. *The Politics of Corruption: organised crime in an American city*.(New York: Russell Sage Foundation; Some of the more recent works include: Alt, E. James and Lassen, D. David. 2002. *The Political Economy of Institutions and Corruption in American States*. Copenhagen: EPRU.

Apparently this inattention was attributed to the underlying assumption on the part of western scholars that corruption is a problem peculiar to the transitional societies and as these societies will eventually move towards their logical goal i.e. the emulation of the western democratic system this problem will eventually disappear by itself. Paul Heywood described it as:

Much western political science in the 1960s and early 1970s was characterised by a certain confidence, bordering on condescension, in regard to high level political corruption: essentially a problem of under-developed and non-democratic nations, its control and eradication depended upon institutional design, with liberal democracy providing the model towards which developing nations would make (inevitable) progress.

(Heywood 1997: 435)

Corruption being a social, psychological, economic and political phenomenon has not received much attention, even today, from any of the mentioned academic disciplines except economics; as major bulk of the available research on corruption is related to the economic dimensions of this universal phenomenon. During the last two decades, considerable research has been done on the causes, consequences and the impact of corruption from the developmental economic perspective. It is rather difficult to investigate corruption owing to the inherent elements of secrecy and stealth associated with the phenomenon. Probably that is one of the reasons for the scarcity of the literature on the very nature of the problem. The socio-psychological investigations of this human behaviour are still far from exhaustive. Similar is the case regarding the realm of political science, which has paid limited attention to this subject, which in its extreme forms can even be a potential threat to the very existence of the state. This so far neglected approach will be expatiated upon in detail during the course of this dissertation. Commenting on the lack of attention from the political scientists, Joseph Nye stipulated, 'Corruption, some say, is endemic in all governments. Yet it has received remarkably little attention from students of government' (Nye, 1967:417). He has attributed this deficit to the moralistic strings attached with the topic along with the fact that the issue deals with the sphere, where the interests of politicians and political scientists are likely to clash. David Bayley also expressed his surprise on the lack of attention, given to the role and the



effects of corruption within the developing world and pointed out, a ‘perverse pleasure’ which, both the western as well as the local observers derive by brooding upon the amount of prevalent corruption in the developing societies and having a tendency of being content only with deploring its existence. He observed that ‘there has been a significant absence of analysis about the effects which corruption has in fact upon economic development, nascent political institutions, and social attitudes’ (Bayley, 1966:719)

Most of the earlier research about corruption has dealt with the issue more from a holistic angle trying to simultaneously analyse all the three vital aspects of: the causes, the impact and the control of corruption.<sup>43</sup> It was not until late 1980s that specific research on the above-mentioned three aspects of corruption individually became the topic of the academic research. A significant start in the direction of exclusively focused studies was Klitgaard’s 1988 book ‘*Controlling Corruption*,’ which specifically concentrated on the practical ways and means of combating corruption effectively and efficiently. Since then numerous studies have been conducted, dealing with the one vital aspect of corruption at a time.<sup>44</sup>

Scholarship on corruption, in the discipline of political science, can easily be divided into two opposing school of thoughts: functionalists or revisionists and their opposing group moralists or post-functionalists. While the former school, led by scholars like Leff (1964), Bayley (1966), and Huntington (1968), emphasises the possible positive role of corruption, the latter school of thought, championed by scholars like Myrdal (1968), Alatas (1968), Klitgaard (1988), Alam (1989), and Mauro (1995) challenges the functionalist for their opportunistic rationalisations and believes that the accumulative detrimental effects of corruption in a society, grossly outweigh its beneficial side effects, if there are any.

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<sup>43</sup> Prominent studies in this regard are Wraith and Simpkins (1963), Monterio (1966), Myrdal (1968), and Palmier (1985).

<sup>44</sup> There have been numerous such studies, especially within the discipline of economics, but few of the more important one includes Mauro (1995 & 1997), Ales and Di Tella (1997), Kaufmann (1998), Rose-Ackerman (1996 & 1997), Tanzi and Davoodi (1997), Murphy et al. (1991), Johnson et al. (1997), and Gupta et al. (1998).

## 2.2 Functionalists or Revisionists School of Thought

The Functionalist or revisionist school of thought was developed in the 1960s, mostly through literature on political and economic development of changing or the transitional societies. The Functionalists had a sympathetic view of corruption and regarded it to be an inherent feature of the normal life cycle of these societies. They considered corruption as a functional dysfunction and challenged the moralists' beliefs of corruption being a malady, ultimately destructive for the fabric of society and the development of the state. The Functionalists believed corruption to be an outcome of the conflict between the indigenous traditional values and the alien norms of the modern bureaucracy. Most prominent followers of this school include: Myron Weiner (1962), Nathaniel Leff (1964), David Bayley (1966), Joseph Nye (1967), and Samuel Huntington (1968). The Functionalist or Revisionists did not propagate or support corruption, they rather disagreed with the moralistic strings attached with the phenomenon of corruption and challenged the axiomatic belief of the moralists' that if corruption has to have any effect on the development of socio-economic systems, it has to be negative. The Revisionists believed on the possibility of otherwise; and tend to emphasise on the positive side of corruption by suggesting, 'corruption serves in part at least a beneficial function in developing societies' (Bayley 1966:719).

The Revisionist scholarship of political science can be traced back to the structural-functionalist school of sociology and anthropology of the 1950s. Robert Merton (1949), a well-known sociologist, particularly influenced the development of revisionist school of thought in 1960s. While discussing the *raison d'être* of the corrupt political machines in the mid 20th century United States, Merton observed, 'the functional deficiencies of the official structures generate an alternative (unofficial) structure to fulfil existing needs somewhat more effectively' (1961:73). He further enlisted some important functions performed by these corrupt machines in the United States. First, in a detached society it humanises and personalises the assistance to those in need; second, it serves as an interface for the relations between the public and the private business; third, it provides alternative channels of social mobility for the otherwise disadvantaged groups and sections of society. Concluding the discussion on the manifest and latent functions of corrupt machines and the inefficacy and often-transitory life span of the political reforms,

he observed, 'any attempt to eliminate an existing social structure without providing adequate alternative structures for fulfilling the functions previously fulfilled by the abolished organisation is doomed to failure' (Merton 1961:81). Later it will be discussed how these functionalist ideas of Merton influenced the thinking of some prominent political scholars like Bayley (1966) and Scott (1969).

Scholars of the revisionist school, further influenced by the developmental approach of the 1960s, believed that corruption is just a price, which has to be paid for certain advantages. The Functionalist's interpretation of this social phenomenon is based on four basic theoretical premises: first, corruption is inevitable during the process of modernisation and development; second, corruption is a functional influence in the political and economic development; third, it is an individual action committed by the few immoral officials for their individualistic gains; and finally, it is a self destructive process (Werner 1983:146).

Nathaniel Leff (1964) along with Samuel Huntington (1968) is among the most well known and widely quoted scholars of the functionalist school of thought. Leff was probably the first writer who had unequivocally presented the positive side of corruption in his famous article *Economic Development Through Bureaucratic Corruption*. He defined corruption as 'an extra-legal institution used by individuals or groups to gain influence over the actions of bureaucracy' (Leff, 1964:8). Another important functionalist, Joseph Nye, who attempted to evaluate the consequences of corruption, defined corruption as a 'behaviour which deviates from the formal duties of a public role because of private-regarding (personal, close family, private clique) pecuniary or status gains; or violates rules against the exercise of certain types of private-regarding influence' (Nye 1967:419). Though Leff analysed only bribery – which he defined as 'the practice of buying favours from the bureaucrats' – (Leff 1964:8) as the most prominent manifestation of corruption, yet the conclusions he had drawn were very interesting as well as influential. He is of the view that the little data available about corruption is mainly provided by declared opponents of corruption, and this widespread condemnation of the issue has made its objective analysis very difficult. Questioning the chain of reasoning central to the moralist view of corruption i.e., development- bureaucracy- efficiency- probity, he indicates that for both the bureaucracies and the governments of

the developing countries, economic development might not be of top most priority. He further argues that most critique on corruption stems from this assumption that 'government and civil service of underdeveloped countries are working intelligently and actively to promote economic development, only to be thwarted by the efforts of grafters,' which might not always be the case (Leff 1964:10).

### **2.2.1 Corruption as a Catalyst for Modernisation**

According to the functionalist school every modernising society is susceptible to corruption, as was the case with most of the developed societies of the West, which had reached the pinnacle of moral improbity during the process of their modernisation. Functionalists like Huntington – who defined corruption as a 'behaviour of public officials which deviates from accepted norms in order to serve private ends' – believed in the inevitability of corruption during the process of modernisation in the transitional societies (Huntington 1968:59). He forwarded three major reasons for why modernisation breeds corruption. First, modernisation changes the basic values of society causing a conflict between modern and traditional norms thus providing 'opportunities for individuals to act in ways justified by neither'. Second, the modernisation creates new sources of power and wealth; the relationship of these sources with the politics is undefined in the traditional norms, and the dominant classes of society hitherto do not accept the modern norms concerning this relationship. Resultantly, corruption may become the means for the integration of these new groups in the political arena by irregular means. Third, modernisation contributes to corruption by expanding the authority of the government and the 'multiplication of the activities subjected to governmental regulation'; thus the increase in laws in modernising societies enhances the possibilities of corruption in such societies (Huntington 1968: 59-62). However, though he proposed corruption to be rampant during the modernising process, yet he claimed that the modernisation would ultimately bring an end to the very phenomenon of corruption. The developing countries, therefore, were assumed to permit corruption as a usual part of the national maturation cycle (Werner, 1983:147).

In his study of the bureaucratic corruption in the developing nations another functionalist Dwivedi (1967) tried to answer the questions that whether corruption is a catalyst during

the course of modernisation and whether it has some constructive character. Though he examined these questions particularly from the Indian perspective, yet the conclusions he had drawn could be generalised to other developing countries as well. Based on his analysis of a series of restrictive laws, passed by the legislatures in India, in an attempt to regulate individual monopolies, divulging financial structure of the press, and to regulate the syndicalism, Dwivedi argued that corruption helps in the survival of the voluntary organisations and interest groups (1967:251). These groups would have disappeared from the social scene – had there not been the opportunity to work their way through improper means – due to the strict and literal implementation of the laws by the bureaucracy; notwithstanding the fact, that these laws and regulation were originally passed by the colonial legislators to regulate the individual monopolies and the freedom of association. Furthermore Bayley (1966), while elaborating the utility of corruption for the transitional societies suggested that people of such societies might have more trust in a system they can manipulate than the one they do not know how to influence. Thus corruption can be a necessary transitional device for such societies.

Huntington (1968) also proposed an interesting theory of corruption as an exchange of political action for the economic wealth. According to this theory in the societies where there are multiple opportunities for the accumulation of wealth, and few positions of political power, the pattern would be to use the wealth for obtaining the political power; as has been the case in the United States, where wealth has normally been used to obtain the political influence. In such societies the rules against using the public office to obtain the private profit, are much harsher and more generally adhered to than those against employing the private wealth to win the public office. In modernising or transitional societies, the reverse is usually the case. The opportunities for the accumulation of wealth are limited because of the traditional norms, monopoly of the economic minorities or the foreign investors and companies. In such societies ‘politics becomes the road to wealth’ thus, opening enormous avenues of corruption for political actors (Huntington 1968:66). Wraith and Simpkins (1963) in their moralistic study of corruption in Africa, have also

discussed the relationship between corruption and wealth in great detail and have identified, power, wealth, and status as the three major contributors of corruption.<sup>45</sup>

### **2.2.2 Corruption as a Safeguard against Revolution**

The bulk of Functionalist literature was produced in a period when the Cold War was at its hottest, and the containment of the communist expansion was the sine qua non of the every capitalist governmental policy. Revolution, per se, was considered as an indicator of the communist predilections in society. Therefore, it is not surprising that almost all the functionalist writers have considerably emphasised on the relationship between corruption and revolution. Huntington argued that corruption could be an alternative to reform, and both reform and corruption could be an alternative to revolution, as the opportunities of corruption, seen as a compensation for otherwise lack of legitimate options for the economic well being, could mitigate the violent emotions of the aggrieved sections of society. He went on to argue that ‘corruption serves to reduce group pressure for policy changes, just as reform serves to reduce class pressure for structural changes’ (Huntington 1968: 64). A similar argument was made by Bayley (1966), who maintained that nepotistic job allocations in underdeveloped countries tame down the large number of half-educated unemployed masses, who otherwise would have a considerable revolutionary potential. Needler (1961) had also noted the important role corruption had played in the transition from the violent phases of a revolution in Mexico, to its less violent and more stable institutional forms. He had described how the heavy oil of graft in Mexico lubricated the clashing gears of interest, and how graft taking had facilitated the transition to the stable and orderly politics of the country. According to him, bribery or graft has been performing the same function in the earlier history of the United States and the 18th century England. He suggested that trouble-making potentials of a revolutionary leader could be controlled, by allowing him to profitable, not necessarily legal activities, as ‘those who have benefit by the status quo are hardly likely to seek to overthrow it’ (Needler 1961:311). A ploy still used by the present day military dictators, to ensure the unflinching support of the clique of generals, the political elite, and the civil

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<sup>45</sup> Wraith and Simpkins basically belong to Moralistic school of thought; for detailed discussion of their thesis and the major findings of their study please see the next section of this chapter.

bureaucracy. Huntington made similar assertion when he noted 'He who corrupts a system's police officers is more likely to identify with the system than he who storms the system's police station' (1968:64). Dwivedi (1967) who primarily supported corruption as a catalyst for modernisation also favoured corruption as a means to avoid revolution:

As long as businessmen and villagers can obtain what they want from local administration through the payment of money, there is less likelihood of the revolution of rising frustrations than if those who can and wish to offer money discover that ascriptive considerations are more decisive.

(Dwivedi 1967:253)

Viewed in the light of rational actor model, developed earlier in this dissertation, such a situation will leave the agent to choose between 'money' and 'approval'; and agent's decision will be determined by his perception of both in a particular setting. According to Dwivedi, agent's preference for money will be less detrimental, as compared to his penchant for ascriptive considerations in the form of approval from his clique, for the maintenance of social order and avoidance of revolution.

### **2.2.3 Corruption as Political Stabiliser**

Expounding the relationship between corruption and political stability, Huntington (1968) had suggested that it depends upon the incidence of corruption. Generally, the scale of corruption (value of corruption) increases with the upward movement in the bureaucratic hierarchy, while the incidence of corruption (frequency of corruption) varies from society to society. Mostly the incidence of corruption is higher at the lower level of bureaucracy, while in some societies it remains constant or even increases as one moves up the bureaucratic ladder. In such societies, stability depends on the chances of vertical mobility; as long as the lower level officers can see the chances for moving up and sharing the bounty of corruption, they will support the system, but if there is no such prospect, they will try to overthrow the system. He further pointed out that in the developed world and in some developing societies like India, the scale and the incidence of corruption are inversely linked. An important factor for such societies is the presence of a fairly strong national political institution that trains the upcoming political leaders into a code of values. This pattern enhances the stability of the political system.

Huntington's emphasis on the chances of vertical mobility as a prerequisite for political stability appears, somewhat similar to the above quoted argument of Needler, (1961) asserting that the beneficiaries of a system are very unlikely to try to destabilise the system. In addition, for Bayley (1966), one of the important benefits of corruption is the political stability. According to him corruption, by means of a common interest in the spoils, breeds political unity among the political players; moreover, when political channels are blocked corruption provides access to the government's affairs and such opportunity to access is essential for the stability of the system.

Ascertaining the relationship between corruption and the political development Nye (1967) observed that corruption can be beneficial in the political development by contributing to the solution of three major problems vital to the issue: economic development, national integration, and the governmental capacity. He outlined three general prerequisites, which have to be present, for the positive effects of corruption to outweigh the negatives in any society. First, a tolerant culture along with the power of the group who is tolerant towards corruption, second, the degree of security for the part of the members of the elite being corrupted<sup>46</sup> and third, the existence of societal and institutional checks on corrupt behaviour. Nye observed that high-level corruption could prove beneficial for the development of the traditional societies if: the forms of inducements involved in corrupt transactions are modern, like money; and if the deviations, made from the generally accepted code of conduct, are not very conspicuous. He developed an extensive cost-benefit matrix of corruption, and analysing the pros and cons related to the issue, concluded that 'it is probable that the cost of corruption in less developed countries will exceed its benefit except for top level corruption involving modern inducements and marginal deviations and except for situation where corruption provides the only solution to an important obstacle to development' (Nye, 1967:427)

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<sup>46</sup> Similar point was also stressed by, Scott, C. James. 1969. 'The Analysis of Corruption in Developing Nations', *Comparative Studies in Society and History*, Vol. 11(3): 315-341, when he observed that insecurity of tenure paves the way for rapacious chaos and renter behaviour of profit maximisation in a limited time regardless of the long-term effects. Quoting from the experiences of urban political machines of United States he has cited the example of Chicago at the turn of last century where ruling elite were not sure about their length of tenure leading to chaos of such proportions that it threatened the 'goose that laid the golden egg'. While at the same time the Ashbridge Machine in Philadelphia having a broader time horizon had effectively control and directed corruption to safeguard its own long run interests, showing some concern for the health of the goose as well. P-338



Huntington condoned the bureaucratic corruption on the grounds that, if channelised in the interests of political parties, such corruption could be an instrument of the strong political organisations, which are an inevitable prerequisite for the eradication of corruption. He asserted that the strong political parties are either developed through the revolution from below or through the patronage from the bureaucracy, like the Congress party in post-colonial India and Republican Peoples Party in post First World War Turkey. Though bureaucratic corruption is rationalised in favour of the strong political institutions, yet it has a self-destructionary relationship with the political organisations as ‘corruption varies inversely with political organisation, and to the extent that corruption builds parties, it undermines the conditions of its own existence’ (Huntington 1968: 71). A similar argument was forwarded earlier by Nye (1967) who argued that corruption may act as a facilitator for the development of supporting institutions of the government, like political parties, by solving their vital problem of the insufficient finances, which could cause the ruin of the political parties and ultimately the decay of the political culture. While developing his argument in favour of corruption as a catalyst for promoting integration among the elite and non-elite segment of society Nye had observed that it might reduce the divisions between the two different groups of elites: one based on power and the other based on wealth. Corruption could also promote integration and assimilation among the non-elite segment of society by softening the relationship between the officials and the general public, secondly it can lessen the overwhelming awe for the government representatives held in the hearts of common man (Nye 1967:420). From a socio-political angle, corruption according to Bayley is a means for reducing the alienation of the individuals and groups, otherwise excluded from the power struggle, by giving them a stake in the system.<sup>47</sup> He further argues that, corruption supplements the

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<sup>47</sup> James Scott (1969) made a similar point by indicating that when a minority is discriminated they may find corruption of politicians and bureaucrats as an effective mean to safe guard their interests without jeopardising the little political standing, which they might have. Scott has quoted the example of the Chinese business community in Thailand who, by the fact of being a minority, were impelled to make payments to the strategically placed power holders for protecting and furthering their business interests (P-327). However, both Scott and Bayley seem to be influenced by the sociological structural-functionalist ideology of the Robert Merton who, while describing the functional nature of American corrupt political machines, observed “A third set of distinctive functions fulfilled by the political machine for a special subgroup is that of providing alternative channels of social mobility for those excluded from the more conventional avenues for personal advancement” (Merton 1961:76).

political system by allowing non-violent entry into the government affairs.<sup>48</sup> Likewise, in highly striated transitional societies, common interest in corruption works as a cohesive force between the members of a political party ensuring political unity. And finally corruption increases the political stability by enhancing the awareness and responsiveness of the generally closed bureaucracy to the individual and group needs, resultantly joining the bureaucracy with politicians in a network of self-interest.

Dwivedi (1967) asserts that an outside incentive or financial inducement helps softening the extremely centralised decision-making process, which is normally based on very stringent rules and regulations, suppressing the ability of individual initiative within the ranks of bureaucracy. He has condoned corruption if it helps in solving the problem of regional and communal representation in public service and educational institutions in developing countries. Citing the example of Pakistan he has suggested that 'merit-cum-ascriptive criteria' should be adopted for recruitment in government service, if marginalised regions and classes are to be integrated in the political process of these countries.

#### **2.2.4 Corruption as Grease for the Wheel of Economy**

The most conspicuous aspect of the functionalists, which renders novelty and uniqueness to their approach, is their belief in the utility of corruption as a lubricant for the rusty wheel of transitional economies. They have forwarded multiple arguments in the defence of above narrated thesis. Among other things, functionalists presume true that the practices like speed money provide the corrupt individuals with the incentive to work harder and with celerity. Furthermore, corruption can contribute to the economic development of the state, when resorting to corruption can cut bureaucratic red tape. Weiner (1962) while discussing the functions of corruption in India has suggested that by bribing the officials businessmen could get those things done which would have taken a long time otherwise. He further asserts '...that efforts to influence local administration, even through widespread corruption are not wholly detrimental to political, and perhaps

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<sup>48</sup> Views expressed by Huntington (1965) in his article, 'Political Development and Political Decay' were agreed and quoted by James Scott (1969), saying that those who considered that their vital interests are ignored or considered illegitimate in the formal political system may find it easy that their unrepresentative interests may enter unobtrusively through the back door.

even to economic, development' (1962:235). Huntington believes that corruption may be one mean of 'surmounting traditional laws or bureaucratic regulations, which hamper economic expansion' (1968:68). Commenting on the same issue, Leys has observed that where bureaucracies are extensive and inefficient, the provision of some personal incentive to the bureaucrats to avoid the red tape may be the only possible way to do business in such societies (1965: 223). Regarding link between corruption and economic development, functionalists argue that corruption among the higher ranks of bureaucracy could improve the economic development, if the accumulated wealth by unfair means is reinvested in the same country (Leys, 1965, Bayley, 1966 and Nye, 1967). Josef Nye maintained that corruption has probably played a positive role in the economic development of both Russia and America. Regarding general positive impact of corruption on economic development, he suggested that corruption could contribute to economic development by facilitating capital formation, removing red tape, and by increasing the incentive for entrepreneurship (Nye, 1967:419-420). Referring to the corruption and capital formation, Bayley points out that the upper echelons of the public bureaucracy being the educated elite, might have a better ability and tendency to invest in the more productive enterprises than the common man who bribes them (Bayley 1966:728).

Both Nye and Bayley conditioned their arguments regarding corruption, as a source of capital formation on the fact that the capital accumulated through corrupt means should be reinvested in the same country, a condition hardly fulfilled by the mega corrupters of the present day developing world. These mega corrupters, who are fully aware of the fragility of the system they are working in and its susceptibility to disintegration, have developed a rather unanimous liking for the offshore Swiss accounts and investment opportunities in the more stable parts of the world.<sup>49</sup> Emphasising the same trend and the

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<sup>49</sup> Between 1954 and 1959, three Latin American dictators, Peron, Perez Jimenez and Batista had been believed to have removed 1.5 billion dollars from their countries. A presidential commission appointed in Philippines estimated Swiss bank accounts held by Marcos at 5 billion dollars, see E.Lieuwen, *Arms and Politics in Latin America* (New York: 1960) p-149 and E. Mydans, "Manila's No.1 Conglomerate: Panel Seizing Marcos Wealth", *New York Times* (Feb.9, 1987): 1, both quoted in Alam, M. Shahid. 1989. 'Anatomy of Corruption: An Approach to the Political Economy of Underdevelopment', *American Journal of Economics and Sociology*, Vol.48 (4): 441-456. Two of the Latin American presidents had directly appropriated 700 million and 400 million dollars respectively. One deceased dictator had amassed an amount exceeding 1000 million dollars. Andreski, Stanislaw. 1966. *Parasitism and Subversion*. London: Weidenfeld and Nicolson, quoted in Alatas (1968).

relationship between improperly accumulated wealth and the economic development of the country Colin Leys observed:

... much will turn on how such wealth is redeployed. If political leaders try to buy security by depositing their wealth in the numbered accounts in Swiss banks it represents a wholly negative drain on the economy. (But perhaps they will buy farms and make them very productive.)

(Leys 1965:229)

Huntington holds somewhat similar views as Bayley and Nye about the link between corruption and economic development but he has not conditioned his argument on the lines of above two authors. He is of the view that corruption may be one method of prevailing over the conservative traditional laws or inflexible bureaucratic rules and regulations, which obstruct the economic expansion of the state. Discussing the relationship between corruption and economic growth, he has commented:

In terms of economic growth, the only thing worse than a society with a rigid, overcentralised, dishonest bureaucracy is one with a rigid, overcentralised, honest bureaucracy. A society which is relatively incorrupt – a traditional society for instance where traditional norms are still powerful – may find a certain amount of corruption a welcome lubricant easing the path to modernisation. A developed traditional society may be improved – or at least modernised – by a little corruption; a society in which corruption is already pervasive, however, is unlikely to be improved by more corruption.

(Huntington 1968: 69)

Moralist literature on corruption has often misquoted this passage of Huntington by referring to it out of the context in which it is really intended, resultantly portraying him as an ardent supporter of corruption. Moreover, statements like “corruption is the grease for the wheel of economy” or “corruption works as lubricant in economic growth” are often attributed to his name without much contextualisation.<sup>50</sup> However, when viewed in

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<sup>50</sup> Moralism literature on corruption has multiple examples where similar statements are attributed to the Functionalist or Revisionist school of thought, especially Huntington. Some of the more prominent ones are Ghosh (2002), Mauro (1995) and Alam (1989).

the proper context it is evident that even for a functionalist like Huntington more corruption in an already corrupt society is hardly an ideal worth defending.

While discussing the positive side of corruption Leff (1964) viewed that considering the bureaucratic role in the economic enterprise of less developed countries, graft may not only induce the government to take steps favourable for economic growth but it can also provide the direct incentive needed for the mobilisation of the bureaucracy for meaningful actions on behalf of the entrepreneurs. Moreover, by reducing the risk and uncertainty of the whimsical decision-making and enhancing the predictability of the future policies, graft or corruption can increase rate of investment in a certain society. He further asserts that corruption could also facilitate the establishment of any innovator in the economic arena who otherwise would have to face serious opposition from the current or existing economic interests. He believes that corruption can also work as a shield against the ill-conceived policies of the governments and can ensure that not all would be lost in case a government keeps on pursuing in the wrong direction. Refuting the general assumption about corruption as an impediment to tax collection, which is necessary for the proper implementation of developmental policies, he argues that higher budgetary receipts are often used in non-developmental expenditure like buying military hardware. If an entrepreneur is a better investor than the government, the money evaded from the tax authorities is more of a gain than a loss to development (Leff 1964:12). Proposing corruption as a source of economic competition in the market, Leff says, that corruption is a transaction and its supplies are limited so a competition is generated among the aspirants of the favour, which must go 'to the most efficient producers, for they will be able to make the highest bids, which are compatible with remaining in the industry' (Ibid: 9). Consequently in the long run the favours will go to the most efficient producers as they will be able to make the highest bids (a thesis which was later refuted by various moralist studies)<sup>51</sup> and losing firms will make efforts to increase their efficiency so they can generate resources to win the favour next time and to remain in the business. However, at the end he made his support for corruption somehow conditional when he says:

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<sup>51</sup> Please see Alam's criticism of this allocative efficiency approach in the next section under Moralism School of Thought. And also in the same section see Dor's critique on the economic-market argument of the functionalists.

... under certain conditions, the consequences of corruption for development are not as serious as usually assumed. At the same time, it may have important positive effects that are often over looked.... When the conditions of our model do not obtain, however, corruption will be an important barrier to development.

(Leff 1964:13)

Similarly elucidating the positive side of corruption David Bayley (1966) was probably the first one to enlist nine distinct beneficial effects of different corrupt acts. He maintains that governments do not have a monopoly upon correct decisions and they can do 'stupid things' (1966: 727). A similar argument was made earlier by Leff (1964) who is of the view that governments of underdeveloped countries are primarily concerned with maintaining the status quo instead of economic development. Bayley further elaborates that under such conditions; corruption may serve as a means for selection of better choices even in terms of the goals set by the government itself. In addition to this in a low public wages environment, corruption ensures the supply of able and talented public servants that, in absence of the opportunity of corruption, might have chosen any other field due to the lack of legal financial reward associated with the public service. However, Bayley refrained from passing any categorical judgment in favour of corruption, he rather concluded:

...it is impossible to determine firmly and precisely how the positive and negative effects (of corruption) combine to produce an over-all thrust along either dimension. It is clear, though, that corruption is an accommodative device.... But the analysis has also shown that the net effects of corruption practices upon economic development are not always, or necessarily, of a baneful nature.

(Bayley 1966:730)

Bayley (1966) had also established that corruption could be a mean for the people with economic power, facing an unfavourable person or regime, to make the system work in their favour by illicit influences. James Scott (1969) further elaborated this assertion by citing the example of the Chinese business elite in Thailand who by virtue of being a communal minority, are denied any formal position of authority; so, they have developed very stable 'connections' with the civil-military bureaucracy of Thailand to safeguard and promote their entrepreneurial concerns. However, Scott has also adopted a careful tone

while ascertaining the direct effects of corruption on the economic development of transitional societies:

Determining empirically who gets what from corruption depends in large part on the nature of both political system and the political elite.... Quite clearly, it is impossible to ascertain the effects of corruption on political integration, income distribution or economic growth without first asking who benefits in what way from what kinds of corruption.

(Scott 1969:340)

### **2.2.5 Corruption as a Form of Political Influence**

Functionalists have also seen corruption rather, as one of the many forms of political influence than as a misuse of public office in violation of community norms. James Scott (1969) has elaborated in detail how corruption in less developed countries fills the vacuum created by the absence of pressure-group politics: political influence exerted by organised groups, to press policy formulation in a certain direction before legislation is passed. The influence at the enforcement stage has often been labelled as corruption and is being paid little attention to, as an alternative means of interest articulation. He has made a strong case in favour of corruption as an efficient mean for advancing one's interest at the stage of policy implementation rather than the at the formulation stage. Corruption minimises the cost of exerting political influence in situations: where compressed loyalties or insufficient organisational skills impede the formation of any pressure groups, where attenuated links between legislation and policy implementation exist, and where a minority is discriminated and its rightful political demands are viewed as illegitimate by the governing elite and the rest of the majority. In less developed countries according to Scott, corruption is the means of representation for various excluded groups in ultimate policy results. Analysing the beneficiaries of corruption in developing nations he suggested that it is a complex task but it will largely depend on three factors: the openness or restrictiveness of access to corruption, the presence or absence of competitive electoral system and the stability and security of the political elite (1969:329). While distinguishing between 'parochial corruption' (where ties of kinship, caste, clan, etc. determine access to the favour of power-holders) and 'market corruption'

(where favours are accorded on impersonal grounds to those who pay), Scott observed that beneficiaries in the former would be the people with connections and the latter will most likely benefit from the wealth of the elites of these societies (Ibid: 330). This classification holds true in case of Pakistan where 'parochial corruption' is prevalent in villages, small towns and cities benefiting the feudal and landed aristocracy; while 'market corruption' is the norm in metropolitan centres where favours are generally extended to the highest bidder.

### **2.2.6 Control of Corruption**

Regarding control of corruption, functionalists like Huntington maintain that corruption is a product of modernisation and particularly the increase of political consciousness and participation. Long-term control of corruption needs the organisation and structuring of that participation and the political parties could mainly perform this function. Leff (1964) believes that control of corruption not only requires competitive politics but also emergence of new centres of power outside the sphere of bureaucracy and such changes, if occurred, will happen only after long period of economic and social development. Bayley (1966) had offered three strategies for the control of corruption in transitional societies: passive, coercive and psychological strategy. The passive approach suggests that effort should be made to control the grosser forms of corruption while waiting for the changing circumstances to reduce or even eliminate the functional utility of such activities. The second option proposes that corruption may be eradicated immediately without any delay or regret and the state should be prepared for controlling the repercussion of such strong action. Finally, the psychological approach suggests that inculcating in the masses the ideas like national interest, sacrifice and dedication, in a way to reduce the temptation of corruption for both corrupter and corrupt may help in reshaping the public opinion and character. In a nutshell, this amounts to substituting the present particularistic set of values with a new more universalistic one. This rather simplistic approach fails to enunciate the means to achieve this desirable end; functionalist literature, per se, does not offer many answers to this query.

According to functionalists, corruption is most prevalent in states, which lack effective political parties, and in societies where particularistic interest, i.e., interest of the



individuals, families, the groups or the clan predominates universalistic or collective interests. 'Corruption will persist until universalistic norms predominate over particularistic attitudes'. (Leff 1964:13) In transitional societies the weaker the political parties would be, the higher would be the chances of corruption. Scott and Huntington share the same opinion regarding prevalence of corruption in transitional or developing societies; seen as an informal means of political influence, corruption is expected to be rampant in times, when a formal political system is unable to cope with the scale or nature of demands made on it (Scott 1969:328).

### **2.2.7 Functionalist Critique of Moralists**

Functionalist criticisms of the moralist approach towards the problem of corruption concentrate on moralists' believe of corruption being against the public interest; Colin Leys (1965), another functionalist, argues: but what is public interest? According to him, there is a possibility that public interest may sometimes need some of these corrupt practices. He is of the opinion that the political role of corruption is to bring together, the otherwise divergent element of a society into a body politic, in the early life of a nation, called 'the persistent integrative needs of society' (Leys 1965: 220). Arguing against the moralists believe that the economic price paid for obtaining any beneficial effect of corruption is too heavy to be considered; he maintains that spending public money properly is not a guarantee for it to be beneficial to the marginal sections of society. Furthermore, questioning the moralists' concern, that anything that heightens inequality cannot be in the public interest, he argues by quoting the example of former Soviet Union – who had to forgo the ideal of equality in order to achieve development – that development and equality are incompatible ideals. However, he admits that not all sort of inequality produced by all kind of corruption is beneficial from developmental perspective. Nevertheless, he unequivocally challenges the moralists' assumption that all sorts of inequalities are invariably detrimental to development, and maintains that it is natural but wrong to assume that the consequences of corruption are always both bad and important.

### **2.3 The Moralism School of Thought**

Notwithstanding all the inherent shortcomings of revisionist school of thought, its foremost contribution was that it paved the way to more serious and academic investigations regarding corruption by challenging the conventional mode of thinking, which was pejorative and based on outright condemnation of the phenomenon. Prior to emergence of revisionist school of thought, corruption as a subject was deemed inappropriate and not a very respectable topic for serious research. The functionalist school of corruption mostly developed in the 1960s and by the start of the 1970s, it started to come under severe criticism by scholars, mainly due to: its inadequate research, intellectual inconsistencies, extreme generalisation and the faulty line of reasoning. An anti-thesis of the functionalist ideology known as post-functionalists, developed in 1970s. This post-functionalist, generally known as moralism school of thought (mostly by the opponents of this approach), interprets corruption from moralistic point of view and does not believe in the possibility of corruption having any positive or desirable effect on the socio-political and economic development of any society. Contrary to functionalist believe of corruption as a functional and self-destructionary phenomenon, post-functionalists consider corruption, dysfunctional and self-perpetuating in nature. Post-functionalists argue that even assuming the functional nature of corruption, the question arises that at what point less developed countries will be developed enough that corruption would be no more functional for them (Dor 1974:68). Secondly, if corruption is indeed a catalyst for modernisation, then functionalist theory should also explain the actual dynamics of the evolution and the kind of these new norms (Caiden and Caiden 1977:305). Moralists believe that functionalist's claims are without any empirical evidence or foundation hence not trustworthy. They further suggest that functionalists' ideology of corruption originates from two sources: the inability to see the systemic character of corruption and an unwillingness to analyse its consequences in a dynamic perspective (Alam 1989: 441). Gerald Caiden and Naomi Caiden (1977) while studying administrative corruption observed that despite its apparent appeal, revisionist's ideology suffers from serious misconceptions that arise mainly because, though dealing with a social behaviour, revisionists still think about it in individual terms, failing to realise the presence and significance of systemic corruption. According to them new research on

corruption could be more fruitful 'than the historically inaccurate assumptions and often unfounded assertions of the revisionists, who have confused individual and systemic corruption' (1977:308). Post-functionalists exhorted the state, society and the academic world against the delusionary myth of functional corruption and urged them to develop multi-dimensional strategies for fighting this malice successfully.

Although scholars of political science as well as public administration always exhibited a moralistic penchant, this perspective about corruption attracted more attention after the development of a counter ideology in shape of functionalist approach. The resurgence of the moralist school in the last decade of the previous century coincides with the rekindling of scholarly interest in the phenomenon of corruption as a subject worth further investigation and research. Though scholars falling under this category are numerous, the few notable among the moralists are: Simcha Werner (1983), Robert Klitgaard (1988), Shahid Alam (1989), Shleifer and Vishny (1993), Paulo Mauro (1995), Rose-Ackerman (1997), and Daniel Kaufmann (1999).

Prior to 1960s, there was an impression in the academic world that the question of corruption has solely been taken up by moralists (Leys 1965:216). 1960s was the decade when academic interest was mostly focused on the political and economic developmental problems of transitional and changing societies; this trend in academic world produced the functionalist view of corruption. There are few known moralistic studies of corruption related problems in the developing world of that era; Ronald Wraith and Edgar Simpkins (1963), John B. Monteiro (1966), Alatas S. H. (1968), and Gunner Myrdal (1968) were few of such prominent studies. Wraith and Simpkins (1963) tried to find out the solution for rampant corruption in 20th century Africa, especially Nigeria, by embarking upon a historical study of corruption in 18th and 19th century Britain and the factors, which led the Victorian England to achieve an unprecedented standard of public integrity. Authors investigated, without much conclusive results, any patterns in the triumph of Victorian England, which could serve as a meaningful resource for the former colonies of England in Asia and Africa in their fight against corruption.

Discussing the public life of newly independent states Wraith and Simpkins maintained that 'a scarlet thread of bribery and corruption' runs through the whole society and there is a 'jungle of nepotism and temptation', which turns the young enthusiastic civil servants

into cynics (Wraith and Simpkins 1963:11). At the same time they admitted that those who are fortunate enough to be in a position to secure some job for their relative, kin or friend and who are under an obligation to do so, would find it hard to agree to their moralising approach. However, the authors have openly expressed their conviction that the effects of corruption and all its allied forms are serious and bad. Authors maintain that economic effect of corruption on a country might not be very considerable ‘but by far the most serious loss is the loss of self-respect and the growth of frustration and cynicism’ (Ibid 1963:16-17). Dilating upon the motives, they view avarice as the primary, but by no means the only, motive behind corruption. Jacob van Klaveren (1957:40) expresses similar views when he asserts that root of corruption lies exclusively in the *appetitus divitiarum infinitus*, – the insatiable avarice is one of the human weaknesses. According to Wraith and Simpkins, three main pillars of the building of corruption in any society are: power, wealth and status. Any one of the three or a combination of these objectives, according to the authors, is at the core of every corrupt transaction no matter when, where and how such transaction is taking place. In many developing countries, leaders were deprived of all the three highly desirable instruments and a sudden advent of democratic system – initiated by the decolonisation – provided them with enormous opportunities to purchase wealth and status instead of utilising their political power efficiently.

Wraith and Simpkins though have taken a sympathetic view of the petty forced corruption – forced, because of multiple reasons like debts, low wages, intolerable private pressure, etc. – yet they are unequivocally critical of corruption by elected representatives and holders of well-paid public office, who are neither pressurised by traditional values nor they have any problem in adopting western values of probity if they want to. Explaining the cause of such behaviour, authors assert:

The simple cause is avarice; the wrong that is done is done in the full knowledge that it is wrong, for the concept of theft does not vary as between Christian and Muslims, African and European, or primitive man and Minister of the Crown.

(Wraith and Simpkins 1963:45)

John B. Monteiro (1966) in his study of corruption had tried to analyse the anatomy, dimensions and causes of corruption in India. His basic suggestion for establishment of a broad anti-corruption agency was based on the analysis of the Santhanam Committee’s

recommendation.<sup>52</sup> Monteiro asserted that maladministration precedes corruption during the process of administration, so to control corruption maladministration should be checked first and to meet that purpose, appropriate channels for settling the grievances of individuals against the state, should be in place. Author gave considerable importance to the establishment of such channels as he went on to build his case for creation of an Ombudsman office in India by analysing the examples of American congressional investigations, French conseil *D' Etat* and British independent tribunals for redressal of private grievances against the public officials. He, however, agreed with the proposition of functionalists that prevalence and size of corruption in different countries depends, *inter alia*, on the level of political and economic development of the country. Regarding the state of corruption, its cost and the dire need for its control in India, in particular and the developing world in general author asserted:

It is no use burying our heads in the sand and pretending not to see corruption around. Neither is it of much value to go by the bills of health given by people like Dean Appleby, since such opinions given in particular contexts do not stand much strain and use in other contexts...While there is no doubt that in developing countries opportunities and temptations for corruption are greater, it is equally true that they cannot afford the cost of corruption and they must tackle the problem in right earnest.

(Monteiro 1966:292)

Alatas (1968), while attempting one of the early sociological analysis of the nature, functions, causes and control of corruption, is among the early ones who evaluated and criticised the functionalist approach of corruption, which was quite in vogue at that time. He has pointed out methodological shortcomings in the Leys' (1965) treatment of the problem, and criticised him for favouring a relativistic position on the issues like

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<sup>52</sup> A very famous report, named after the Member of Parliament who was heading the committee Mr. K. Santhanam, and often quoted in the corruption literature related with India. The Santhanam committee was set up in June 1962 and it submitted its report in March 1964 with the main suggestions like amendment of the article 311 of the Indian Constitution, establishment of a Central Vigilance Commission, amendment of the government servant Conduct Rules especially with reference to the reemployment of the retired government officials by the private businessmen and the amendment of the Defence of India Bill 1962. The report is mostly known for its exhaustive and bold commentary on the state of corruption and maladministration in Indian public service and the exclusive list of recommendations for the government to consider.

‘beneficial’, ‘bad’ and ‘development’. While challenging the Leff’s (1964) argument of allocative efficiency of corruption, Alatas has pointed out that ‘the fittest who survives is not always the most efficient and competitive’ (1968:38). Elaborating the successful industries and firms of the underdeveloped world he is of the view that these businesses are not successful because of the corruption they practice, but due to their ability to maintain an efficient and rational approach coupled by sufficient capital and dedicated professionals. Alatas has accused functionalists for being biased in their selection of data as well as not being able to link their analysis with the different stages of corruption. Addressing the functionalists directly he says:

Those who suggest the positive function of corruption in underdeveloped areas, apart from ignoring certain dimensions in contextual analysis, have also been guilty of bias in their selection of data...when the total effect of corruption on afflicted societies, whether in the economic, administrative, political or judicial realms is considered, no stretch of sociological imagination could ever succeed in suggesting that it has some positive function in development, except in the development of exploitation, inequality, and moral and legal disorder.

(1968: 28-30)

Post-functionalist literature of 1970s started to evaluate critically the theoretical tenets of functionalist school. They questioned the veracity of the argument that corruption is the dependent variable of the development, and instead argued that corruption is universal in nature and can thrive within any society during any stage of development. Multiple studies were conducted to analyse the various aspects of corruption and its relationship with different socio-political as well as economic indicators. Ben Dor (1974) argued that patron-client networks that resemble corruption could flourish at any level of political development or institutionalisation and has not much to do with only under developed or developing societies. Further studying the impact of institutionalisation on the level of corruption he asserted that too little or too much institutionalisation can also enhance corruption. Varma (1974), while studying the corruption and political development in India, analysed the impact of governmental control on the level of corruption in the state. He concluded that too much as well as too little government control tends to increase the corruption in any given state. Dobel (1978) suggested that socio-economic or political

inequalities in a given society determine its susceptibility to endemic corruption. Investigating the same relationship, Wildavsky (1979) found out that in less developed countries expanded governmental functions, while in more developed countries extensive welfare programs, provide major avenues for extensive corruption.

Among the above-mentioned post functionalist literature most important is the analysis and critique of Ben Dor (1974) who has divided the functionalist school into three broad branches or categories according to their perceptions and treatment of corruption. The first category is strongly influenced by the Merton's structural-functionalist school of sociology, the second is the group who treats corruption as an allocative market mechanism, and the third and the most significant school of revisionists is represented by Huntington and is termed as "Intuitionists". Ben Dor observes, while analysing the revisionist theses, that revisionists have undoubtedly improved over the earlier moralist school as they have connected the phenomenon of corruption to a crucially important element of time. However critically evaluating the different propositions of the functionalists Dor discusses, regarding Nye's theses<sup>53</sup> that at what level of development corruption will be no more functional. He points out that though less prominent, more discreet, and highly institutionalised, yet corruption is definitely present in the developed world and it seems to constitute a major political issue in developed countries like United States, Great Britain, France and Germany (Dor 1974:68). While reviewing the economic-market argument of Leff, Bayley and Scott in favour of corruption he asserts that none of their argument carries much weight, as their arguments are based on the assumption, which implies that corruption strongly correlates with the periods of rapid economic growth, yet that is not the case for economies like Japan and Germany. Furthermore, there is neither any evidence that capital accumulated through corruption goes into investment instead of consumption or further corruption, nor is there any indication that corruption facilitates the distribution of funds in a more imaginative, innovative or efficient manner. Denouncing the economic-market argument, of functionalist Dor observes that any such benefits of corruption "appear to be at best incidental rather than intended" (1974:71).

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<sup>53</sup> For detailed discussion of Joseph Nye's argument regarding functionality of corruption during the early stages of development please see the previous section of the same chapter under the heading "Functionalist or Revisionist School of Thought".

Arguing against the thesis that corruption furthers integration by preventing the alienation of various underprivileged groups from the government, by facilitating their participation in the political as well as decision-making process, Dor asserts that societal divisions are present in the developed world too. For this argument to hold ground the majority of corruption cases should involve the lower strata of society, furthermore after a certain degree of integration corruption should become dysfunctional. However, this does not appear to be the case, as most individuals involved in corrupt cases do not belong to the underprivileged section of society; rather they are policemen, politicians, businessmen, bureaucrats, and industrialists. This exclusiveness of the available opportunities of meaningful corruption rather intensifies the social divisions and aggravates the problems of integration instead of contributing to their solutions. Disagreeing with this integration argument of functionalists, Dor maintains that the facts indicate rather in the opposite direction (Dor 1974:74).

While challenging the institutional argument of the functionalist like Huntington, Dor points out the fact that corrupt political machines functioned quite successfully in the developed countries despite the presence of an elaborate and developed party system. If Huntington's thesis regarding corruption, being one measure of the lack of effective political institutionalisation, is taken as correct we would find it difficult to explain the existing – and at times even increasing scope and intensity of corruption in developed countries (Dor 1974:68). Dor admits that changing patterns of political participation might help in understanding the decreased tolerance of corrupt behaviours, but they fail to explain the reasons and character of corruption, existing prior to these new patterns of political participation. While analysing the functionalists' institutional theory of corruption he argues, 'It is most doubtful, therefore, that we can derive from the matrix of political development offered by Huntington a satisfactory explanation of continuing ubiquitous corruption.' (Ibid: 76) He furthers his argument on institutionalisation by asserting that over institutionalisation – because of its very nature of too much self-orientation, insulation from social forces and periphery's inability to communicate with the centre – may also lead to different kinds of corruption. However, finally Dor also singles out the revisionist's inability to see the dynamic nature of corruption when he concludes:



In all cases it seems that corruption plays very different roles at different stages of development and institutionalisation. However, the revisionist theories have by and large failed to account for the dynamic process by which corruption changes its character functions and dysfunctions at various stages of developmental continuum, nor have they been able to point out sharp discontinuities that delineate the boundaries of the stages of development as they relate to corruption.

(Ibid: 81)

Post-functionalists believed that corruption feeds on itself and hinders societal reform rendering it increasingly difficult to pursue those reforms, resultantly 'more corruption is fostered as a remedy to existing corruption' (Werner 1983:149). While highlighting the points of contention between functionalists of 1960s and post-functionalists of 1970, Simcha Werner (1983) offered some new directions in the study of administrative corruption. Corruption is not a stand-alone phenomenon, and its consequences on society should be viewed in totality. Following this theme Werner has enlisted three kind of 'spillover' effects of corruption: leader-follower spillover, dimensions of corruption spillover and institutional spillover. According to the first spillover effect the rationalisation of the corrupt behaviour increases its negative effects. Moreover corrupt behaviour of the leaders is certain to be emulated by his followers, notwithstanding that they are the members of his party or belong to the general public. The second spillover effect of corruption suggests that petty and borderline corruption, due to its ubiquitous prevalence, is often psychologically condoned and rationalised, which makes it a self-perpetuating phenomenon. Resultantly this diminishing illegality of a certain type of corruption tends to contribute to the legitimisation of other types of corruptions in the long run. According to the third spillover effect, strong institutional corruption reproduces itself in other institutions because of the negligible substantive cost and considerable benefits associated with the action or as a successful competition tool.

While analysing the political economy of underdevelopment Shahid Alam (1989) has authored a critique of functionalist literature on corruption. According to him functionalist fail to see that corruption tends to become the end of power and not only a means towards its continuance. Alam has classified corruption into four branches: cost-reducing, cost-enhancing, benefit-enhancing and benefit-reducing corruption. He has

further described systemic corruption as a profit-sharing symbiotic nexus between bureaucracy and political elite of the developing countries.

While challenging the Scott (1969b) argument which says that since legislation is based on universalistic terms, corruption at the enforcement stage, in favour of a particular group, is a means to meet parochial demands, Alam (1989) has observed that legislation is not always universal and can be designed to profit certain ethnic, religious or regional groups. Besides certain investment projects can be, and are, designed to concentrate their benefits on such groups.

Alam has further analysed the often-quoted three supposed benefits of corruption: allocative efficiency (Leff 1964), promotion of capital formation (Leys 1965; Bayley 1966; and Nye 1967), and substitution for a public works program (Bayley 1966). While criticising this allocative efficiency argument he has noted that the risk of detection will force the officials to restrict the entry into bidding to only those whom they can trust. And since there is no necessary correlation between productive efficiency and trustworthiness of the aspirants, such restriction will most likely prevent the favours to reach the most efficient producers. Second, corruption may automatically cull the efficient but honest producers of competition, who find the risk of detection too heavy to be accommodated. Third, in order to maximise the bribes, officials may introduce an artificial shortage or uncertainty into the supply of inputs; the loss incurred by such reduction in supply generally counterbalances any gains in efficiency from bribery. Fourth, competition among the group of officials, especially in the utility supplies, to extract maximum bribes may induce them to offer connections beyond their capacity, resulting in the deterioration of the quality of the supplied utility. 'The loss in productivity resulting from such a decline could easily exceed the gain in output from the additional utility connections that result from corruption' (Alam 1989:450). Furthermore, the highest bidder amongst the corrupt offers does in no way guarantee the highest efficiency, since cheating on the terms of the contract may be used as a tool to finance future bribes. This kind of corruption, according to Alam, could be very costly not only from the point of view of allocative efficiency but also regarding under fulfilment of the contract.

Discussing the functionalist argument that bribing the tax officials generates economic activity by reducing taxes, Alam, has suggested that this may not be true in the larger context, as government is most likely to increase the tax rates to compensate for the loss of tax revenue. Criticising another related argument that efficient producers are more likely to get tax reductions than others; he is of the view that efficient producers are less threatened by competitive pressures. Consequently they are less prone to engage in such activities than the dishonest and inefficient entrepreneurs who seem more likely to seek such reductions through corruption. Alam, however, has failed to counterbalance Leff's (1967) argument regarding tax evasion, in which the latter had claimed that if the entrepreneur is a better investor than the government, then in such situation the evaded tax is more of a gain than a loss to the development of such countries.

Analysing corruption as a stimulant for capital formation argument of the functionalists, Alam, has observed that this cannot be determined *a priori*, as it will depend upon the government's predisposition to consumption as compared to the same proclivity of the beneficiaries of corrupt transactions. He further suggests that it is very unlikely that government officials will have a higher marginal tendency to save than the producers. Lastly, if the allocative inefficiency argument of moralists is true, then one should also take into account the loss of savings from reduced national income caused by allocative inefficiency before deciding the case for or against corruption as a source of capital formation.

Confronting the functionalist argument of corruption promoting political integration (Bayley1966; Nye1967), Alam has observed that corruption, more often than not, serves the opposite purpose. Notwithstanding, whether one ethnic group or a small clique monopolises corruption revenues, in both the cases corruption will generate discontent and political instability. Arguing against the expansion of public employment through nepotism and political patronage as a welcome substitute for non-functioning public works system, Alam has suggested that 'one must point to the opportunities for creative public employment that are foregone because of the politically motivated and unproductive expansion in public employment' (Alam 1989:452). Finally he has consummately rejected the functionalist ideology when he concludes:

... the benefits of corruption are not apparent even where they are most confidently expected, i.e. market corruption does not improve allocative efficiency. Nor does corruption appear likely to generate net additions to capital formation; rather a reduction in investment is more to be expected. What these results suggest is that erosion in a government's capacity to formulate and implement economic policies – as a result of corruption – cannot be a blessing in disguise. But corruption does not appear either to generate the political benefits claimed for it: rather than helping to bind disparate ethnic groups, regions, clans and families with narrow loyalties, it is more likely to exacerbate these divisions. To sum up then: corruption appears not to be beneficial for economic development, nor is it indispensable as a tool of political integration.

(Ibid: 453)

Leslie Palmier's study of control of bureaucratic corruption in Asia (1985) was probably the first effort of its kind in which a focused investigation of bureaucratic corruption was made, by employing the comparative analysis of the institutions created and the measures taken for the control of corruption in India, Hong Kong and Indonesia. However, his study would also be categorised among those who believe on the detrimental nature of corruption as an *a priori* fact, as the author has not given any space to the issue of functionality or otherwise of corruption. The author discussed in detail the history, operations, and impact of Central Vigilance Commissioner (CVC) India, Independent Commission Against Corruption (ICAC) Hong Kong and the *Operasi Tertib* (Opstib) or Operation Correct Conduct of Indonesia. Drawing from this comparison he suggested that corruption should not be considered as a personal failing, but rather as an indicator of a larger group, all of whose members are equally engaged in one or the other kind of corrupt activities. Considering the remedies of bureaucratic corruption Palmier pointed out three main factors that appear to be most important: opportunities, salaries and policing. Elaborating the impact of available opportunities on the conduct of public servants he asserted "the more opportunities that are offered, the more will be seized". Further describing the relationship of low wages with the probability of indulging into corruption he pointed out "poor pay is a powerful pressure towards corrupt gains." (Palmier 1985:271) However, the author was quick to point out that bureaucratic

corruption does not seem to depend on any one of these three factors but on the balance between them. .

Emphasising the anti-corruption role of communication media, especially in developing societies, Palmier asserted that corruption ‘thrives in secrecy and withers in the light’ so a vigilant media can not only expose corruption but can also bring about necessary changes in the values and attitudes of the general public (1985:279). Notwithstanding this assertion the author made clear that he does not subscribe to the belief that corruption cannot be reduced unless the values and attitudes of the public are altered first, but he admits that long term solution of the problem lies in an educated, organised and informed public demanding their rights from the state.

Robert Klitgaard (1988) another noted scholar on corruption, opened a new avenue in the research on corruption by outlining practical policy analysis tools for any successful anti-corruption campaign in his often cited book ‘*Controlling Corruption*’. Klitgaard has skilfully interwoven the different aspects of theoretical paradigm with the vivid empirical examples of applied problems faced by developing countries, which he draws from his extensive analysis of transitional societies. He theoretically delineated the genie of corruption according to the principal-agent model of economics and later explained and analysed the empirical evidence with the help of this model. Klitgaard also addressed practical questions like cost and effect of various forms of corruption and counter corruption measures, and what lessons can be drawn from success stories.

Although Klitgaard propagates the idea that the “optimal level of corruption is not zero” (1988:24) yet he disagreed unequivocally with the functionalists belief that corruption is grease for the wheel of economics; he rather believes that corruption might be less harmful or even beneficial in certain peculiar situations but its general harmful effects outweigh the limited social benefits (1988:36). Instead of taking a usual moralist or revisionist approach against or in favour of corruption he took a more simple and practical approach suggesting that it is neither possible nor economically advisable even to try to eliminate or eradicate corruption completely. He rather argued that anti corruption efforts should be designed keeping in mind the optimal level of corruption and the marginal cost one could afford to incur in this activity. He suggested that different forms of corruption vary in terms of their deleterious effects and outlined ten practical

propositions for the policymakers to keep in mind while designing any counter-corruption strategy to achieve a favourable cost-benefit outcome of the endeavour.

An agent's decision for being corrupt or otherwise, according to the Author, hinges on his monopoly plus discretion minus accountability (1988:75). He developed the usual principal-agent model a step further by offering range of policy measures available to principal which include: selecting agent, changing reward and penalties, gathering information, restructuring principal-agent-client relationship and changing attitudes about corruption.

Contrary to Klitgaard, Shleifer and Vishny (1993) in their study of corruption considered the principal-agent problem as a given fact and focused on the consequences of corruption for resource allocation. They presented two basic premises about corruption; first, that the level of corruption depends mostly on the structures of government institutions and political process, and secondly, the surreptitiousness and the illegality of corruption amplify the distorting effects of corruption and makes it much more expensive than taxation.

Authors have divided the corruption of the public sector in to two categories: corruption with theft and corruption without theft.<sup>54</sup> They further suggested that in a competitive market buyers indulging in corruption with theft will surely be better off, resultantly this competition between the buyers assures the spread of corruption with theft or cost reducing corruption. The authors suggested increasing the cost of corruption for buyers by reducing the possibilities of corruption with theft, through strict monitoring and effective accounting measures. Subsequently, if corruption without theft is the only option available, this will increase the cost for the buyer, actuating him to divulge such deals and officials.

## **2.4 Empirical Research on Corruption**

Prior to 1990s there was a dearth of empirical studies on corruption, generally because of the surreptitious nature of the activity and the allied difficulties in obtaining scientifically valid data. Notwithstanding the obvious difficulties, there was hardly any attempt to

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<sup>54</sup> A detailed discussion about these two types of corruption and further description of the models proposed by Shleifer and Vishny is given in Chapter 3.

improvise and to conduct any meaningful study employing the available conventional tools of research. Bulk of the research, till then, was 'less than systematic consisting mostly of anecdotal evidence available from news reports and, occasionally, official enquiries, case studies and results of surveys' (Alam 1989:443). During this period several focus studies were conducted, though not systematic, concentrating on any of the less developed countries especially African or Asian.<sup>55</sup> But interestingly there is hardly any systematic or even non-systematic study focusing on Pakistan.

With the dawn of new century there started a wave of empirical investigation on the various aspects of corruption including the causes and the consequences of corruption. These investigations mostly based on the comparative evaluation of the level of corruption in different countries by employing cross-country analyses. Corruption assessments used by such studies consist mostly of the subjective indices, compiled by the various agencies to determine the country's risk and sold to investors, banks and multinational corporations on commercial basis. Though the current data on corruption is mostly based on subjective perception and expertise yet it can be considered a reliable indicator of the actual level of corruption in any country<sup>56</sup> (Lambsdorff 2005:1).

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<sup>55</sup> For studies on India see, Monteiro, B. John. 1966. *Corruption: Control of Maladministration*. Bombay: Manaktalas; Myrdal, G. 1968. *Asian Drama*. Vol.2. New York: Pantheon; Wade, R. 1982. 'The System of Administrative and Political Corruption: Canal Irrigation in South India,' *Journal of Development Studies*, Vol.18 (3): 287-328; Wade, R. 1985. 'The Market for Public Office: Why the Indian State is Not Better at Development,' *World Development*, Vol.13 (4): 480; Kholi, S. (ed.). 1975. *Corruption in India*. New Delhi: Chetana Publications; Palmier, Leslie. 1985. *The Control of Bureaucratic Corruption: Case Studies in Asia*. New Delhi: Allied Publishers (case studies in this book include Hong Kong and Indonesia apart from India). Another study including Indonesia, Thailand and Haiti is, Scott, J.C. 1972. *Comparative Political Corruption*. New Jersey: Englewood Cliffs; For Nigeria, see Wraith, Ronald and Edgar Simpkins. 1963. *Corruption in Developing Countries*. London: George Allen & Unwin Ltd; Eker, V. 1981. 'On the Origins of Corruption: Irregular Incentives in Nigeria', *The Journal of Modern African Studies*, Vol.19 (1): 173-82; and Leys, Colin. 1965. 'What is the Problem about Corruption', *The Journal of Modern African Studies*, Vol.3 (2): 215-230; For Zaire, see Gould, D.J. 1980. *Bureaucratic Corruption and Underdevelopment in the Third World: The Case of Zaire*. New York: Pergamon Press; For Ghana, see Werlin, H.H. 1972. 'The Roots of Corruption: The Ghanaian Case', *Journal of Modern African Studies*, Vol.10 (2). 247-66; Price, R.M. 1975. *Society and Bureaucracy in Contemporary Ghana*. Berkeley CA: University of California Press; For Mexico, see Wilkie, W.J. 1967. *The Mexican Revolution: Federal Expenditure and Social Change*. Berkeley: University of California Press.

<sup>56</sup> A detailed account of the validity of perceptions as a reliable indicator of corruption, ascertained by plotting experience against the perception of corruption, will be given in Chapter 5, where perceptions of public servants regarding the causes of corruption are analysed. Moreover, the question of validity of perceptions as a valid or invalid indicator of corruption is relevant in the studies trying to gauge the level of corruption in any country or state; as primary objective of this research is to investigate the causes and control of corruption employing the views of real stakeholders involved in the transactions, so this question is not relevant in case of subject study.

Though most of the empirical research falls within the ambit of economics as a discipline, but I think any meaningful political study of the phenomenon would not be complete without having cognizance of these empirical developments. During last forty years economists are making a slow but gradual contribution to the body of knowledge concerning corruption. The first economic study on the issue of corruption, which attracted major attention, was a study by Rose-Ackerman in 1975.<sup>57</sup> More recently, a growing body of empirical knowledge has appeared on the international scene focusing on the various causes and consequences of corruption. Goudie and Stasavage (1999:148) divided the empirical material regarding research on corruption into three broad categories:

- 1 Case studies, which are used to propose a theory about corruption.
- 2 Case studies fundamentally descriptive in nature.
- 3 Papers attempting to construct systematic tests for hypotheses about corruption and growth.

In the following section we will have an overview of the empirical research on corruption, mainly focusing on the causes of corruption. Though there exists an extensive amount of empirical research on the consequences of corruption, yet being out of the scope of this study it has not been included in this dissertation.

### **2.4.1 Causes of Corruption**

Known causes of corruption are abundant, and there might be few, which are not known yet or with which causality has not been established yet. Empirical studies on the various causes of corruption are abundant; here we will mention only the most prominent ones. Some variables like GDP, inequality, low growth, and inflation are so much integrated with corruption that it is hard to ascertain whether they are the cause or the consequence of the phenomenon. So it should not be a surprise if some variables are assessed both as cause and effect of corruption. Following section contains a brief account of empirical studies on the causes of corruption under the headings: government size, kinds of state,

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<sup>57</sup> Rose- Ackerman, Susan.1975. 'The Economics of Corruption', Journal of Public Economics, Vol.4 (2): 187-205



institutional quality, political systems, merit and remuneration, competition, and cultural influences.

#### 2.4.1.1 Government Size

It is a common perception that government's involvement in the private sector is a major source of corruption. It is also believed that to reduce public sector corruption the simplest solution is to reduce the public sector. But multiple empirical investigations have shown that it is a rather simplistic presentation of the real situation.<sup>58</sup> There is no simple empirical evidence to prove the case rather empirical findings suggest otherwise. Elliot (1997) conducted a study on a sample of 83 countries, and shows that size of government's budget relative to GDP decreases with the levels of corruption. He concludes that government activities might be more important than the size of their budgets. Furthermore, there could be reverse causality between the two, as corrupt governments find it difficult to generate resources or obtain funding so this general lack of resources could be the reason for their small budgets. Types of government expenditure could be a potential major cause of corruption instead of total government expenditure, but this relationship has yet to be properly explored.

#### 2.4.1.2 Kinds of State

Different forms of governments like unitary and federal could have varying degree of susceptibility towards corruption. Treisman (1999) reports significant evidence that federal states are more corrupt than the unitary or centralised states. He further suggests that in states where separate police forces exist at central and sub national level, the chances of overlapping authority increases, which leads to more corruption. With the addition of other variables, Treisman reports the decline in the significance level of the results but various other studies claim no shift in significance level even with the addition

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<sup>58</sup> Two major studies on these lines include: Husted, B. 1999. 'Wealth, Culture, and Corruption', *Journal of International Business Studies*, Vol.30 (2): 339-360; Gerring, J. and S. Thacker.2005.'Do Neoliberal Policies Deter Political Corruption?' *International Organisation*, Vol.59: 233-254.

of other variables.<sup>59</sup> In a more recent study Gerring and Thacker (2004) observe a significant adverse effect of federalism on corruption. The authors distinguish between federal, semi-federal and non-federal states and report evidence favouring unitary governments since the federal form of government has been identified as one of the causes of corruption.

#### 2.4.1.3 Institutional Quality

Institutions are supposed to facilitate the peaceful transactions among various interactive actors. They perform these functions applying various sets of risks and rewards, rules, regulations, laws and policies, each of which contain significant potential for distortion, misuse and corruption. Resultantly, institutional quality could be a major cause for corruption. Treisman (2000) observes a positive impact of state intervention on corruption, but in the presence of other variables the relationship becomes insignificant. The World Bank in its development report of 1997 reports a correlation between policy distortion and corruption. (1997:168). Ades and Di Tella (1999) have conducted a more detailed study of this relationship and conclude that policy intervention causes corruption. But they also warn that corruption may cause policy distortion and not vice versa, creating the impression that corruption and policy distortions can be one and the same. In a more complex study Lambsdorff and Cornelius (2000), while investigating 26 African countries, report a positive correlation between the level of corruption and the vagueness and laxity of government regulations. In a similar study Gatti (1999) states that diversified trade tariffs encourage corrupt behaviour while a uniform tariff reduces the public officials' ability to extract undue fees from the importers. These results are significant as they focus on the application of regulations. It is a common perception that corrupt officials use complex regulations and procedures as a tool of harassment, bureaucratic discretion and unnecessary delays to drive maximum benefit out of their clients.

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<sup>59</sup> Studies supporting Treisman findings include: Panizza, U. 2001. 'Electoral Rules, Political Systems, and Institutional Quality', *Economics and Politics*, Vol.13 (3): 311-342; Goldsmith, A.A.1999. 'Slapping the Grasping Hand: Correlates of Political Corruption in Emerging Markets', *The American Journal of Economics and Sociology*, Vol.58 (4): 886-883;

The World Bank's development report of 1997 as well as Ades and Di Tella (1996) focus on the quality of judiciary as an important determinant of corruption. Voigt, Fed and van Aaken (2004) have also investigated the impact of judicial independence on corruption. They have differentiated between de facto and de jure independence,<sup>60</sup> and conclude that de facto independence decreases corruption, while de jure independence, as a lip service from executive, increases it.

While ascertaining the value of free press in the fight against corruption Brunetti and Weder (2003) show that a free press deters corruption considerably. They use four relevant indices compiled by Freedom House and show that press freedom has a negative impact on corruption. They claim that the order of causality runs from free press to reduced corruption.

#### 2.4.1.4 Political System

Few early studies report insignificant or weak impact of democracy as a political system on the level of corruption.<sup>61</sup> But Treisman (2000) in his extensive study of the causes of corruption finds out a significant impact of democracy for a selection of 64 countries. He reports that while the current level of democracy does not, but the longer experience of democracy surely does help in reducing corruption. Various current studies support the assertion of Treisman and report that a moderate level of democracy is not an effective tool against corruption; rather its effectiveness appears only after a certain threshold of democratic experience has been achieved. According to Treisman, 'had Portugal experienced uninterrupted democracy from 1950, the estimate imply, it would have been

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<sup>60</sup> De jure independence implies life tenure, appointment and promotion by others than politicians, lack of executive control on the appointment of a prosecutor in a specific case. While De facto independence means freedom from: forced retirement, frequent changes in legal foundation and decreasing income and budget of prosecutors.

<sup>61</sup> Goldsmith 1999, for complete reference please see footnote 16. Sandholtz, W. and W. Koetzle 2000. 'Accounting for Corruption: Economic Structure, Democracy, and Trade', *Industrial Studies Quarterly*, Vol.44: 31-50; Paldam, M.2002. 'The Big Pattern of Corruption. Economics, Culture and the Seesaw Dynamics', *European Journal of Political Economy*, Vol.18: 215-240; Persson, T., G. Tabellini and F. Trebbi. 2003. 'Electoral Rule and Corruption', *Journal of the European Economic Association*, Vol.1 (4): 958-989.

slightly less corrupt by 1998 than Germany' (2000:433). Similar results have been presented by some other studies too.<sup>62</sup>

While studying the impact of electoral rules and the patterns of constituencies in more than 80 democracies, Persson, Tabellini and Trebbi (2003) discovered that smaller voting districts have an increased susceptibility towards corruption as compared to large ones. Attributed to the fact that smaller districts have few representatives, and any attempt from a new entrant is stymied by this cult of representatives, reduced competition among candidates results in lowering their accountability towards the constituencies. Similarly increased competition in larger districts is instrumental in keeping corruption in limit. Authors further suggest that corruption is higher in democracies where candidates are elected from party lists rather than through individual candidacy. The reason for that, according to the authors, is the less individual accountability in such systems – an assertion, which is challenged by Chang and Golden (2004), who argue that closed-list voting should be separated from open-list voting.<sup>63</sup> According to Chang and Golden in case of large voting districts closed-lists contain corruption while in small voting districts open-list limit corruption.

In their above-mentioned study Gerring and Thacker (2004) also investigate the role of parliamentary and presidential systems of government in relation to the level of corruption. They conclude that parliamentary systems are less associated with corruption. Some other studies report similar results.<sup>64</sup> Kunicova (2005) supports these findings for a sample of more than 100 countries. She suggests that presidential systems increase corruption significantly with the approaching end of term. Furthermore, powerful presidential office is another reason for escalation of corruption in these systems.

This summary indicates that a significant amount of research has been done to establish the impact of democracy and the forms of government on the level of corruption in any

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<sup>62</sup> Gerring, J. and S. Thacker. 2005. 'Do Neoliberal Policies Deter Political Corruption?', International Organisation, Vol.59:233-254. Montinola, G. and R.W. Jackman. 2002. 'Sources of Corruption: A Cross-Country Study', British Journal of Political Science, Vol.32: 147-170; Sung, H. -E. 2004. 'Democracy and Political Corruption: A Cross-National Comparison', Crime, Law and Social Change, Vol.41 (2): 179-193.

<sup>63</sup> Close-list votings are those where votes are caste only for the party while Open-list votings are those where voters both select a party and also rank candidates from the party of their choice.

<sup>64</sup> Lederman, D., N. Loayza and R. Reis Soares.2001. 'Accountability and Corruption. Political Institutions Matter', The World Bank Working Paper No.2708; Panizza, U.2001. 'Electoral Rules, Political Systems, and Institutional Quality', Economics and Politics, Vol.13 (3): 311-342

country. Research suggests three main points: first, that a quasi and young democracy is not of much help against corruption; only mature and real participatory democracy is a strong check against corruption; second, presidential systems are more susceptible to corruption than parliamentary systems; and third, proportional representation is more associated with higher corruption than plurality rule with single-member districts.

#### 2.4.1.5 Merit and Remunerations

Evan and Rauch (2000) have investigated the impact of merit-based recruitment on the level of corruption in 35 developing countries. Merit-based recruitment index is associated with the number of higher-level officers having a university degree or having entered civil service through a competitive formal examination. The authors state a negative association between the index and corruption in the studied countries.

Surprisingly there is only one empirical study, by van Rijckeghem and Weder (2001), which focuses entirely on the link between public sector financial remuneration and the level of corruption.<sup>65</sup> But the results of this study are not without a grain of scepticism, since the authors have employed Political Risk Service (PRS) data, which does not depict corruption directly but refers to political instability. The authors argue that low salaries force the public servants into corruption while at the same time higher salaries would increase the cost of being caught for the public servant. In a sample of 31 countries the authors find significant negative impact of civil service wages, in relation of manufacturing sector wages, regarding the level of corruption. They suggest that, ‘...1 point change in relative wages (say from one to two times the manufacturing wages) leads to 0.5-point reduction in the corruption index’ (2001:10). They further suggest that fighting corruption solely by improving wages could be prohibitively expensive.

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<sup>65</sup> There are few theoretical studies discussing the issue of optimal government pay or the cost effectiveness of the public sector wage increase. This include: Besley, T., J. McLaren.1993. Taxes and Bribery: The Role of Wage Incentives. *Economic Journal*, Vol.103 (416): 119–141; Flatters, F., W.B. McLeod.1995. Administrative Corruption and Taxation. *International Tax and Public Finance*, Vol. 2 (3): 397–417; Swamy, A., St. Knack, Y.Lee and O. Azfar.2001. ‘Gender and Corruption’, *Journal of Development Economics*, Vol.64: 25-55; Treisman, D. 2000. ‘ The Causes of Corruption: A Cross-National Study’, *Journal of Public Economics*, Vol.76: 399-457. Though the last two studies are empirical in nature but they have not exclusively studied civil service wages among the many causes of corruption. However, both studies have reported ambiguous and insignificant results for the impact of wages on corruption.

#### 2.4.1.6 Competition

Competition, rather lack of it, among the suppliers as well as the public service providers is considered as one of the major causes of corruption. Competition by virtue of lowering prices, decreasing the rents for private firms, leaves less for public servants to sell in exchange of bribes. Restrictions or government control on economic freedom reduces competition. Henderson (1999) argues that corruption is negatively correlated with various indicators of economic freedom. Goldsmith (1999) and Paldam (2002) support the above results for a sample of 66 and 77 countries respectively.

Ades and Di Tella (1999) suggest that a country's openness, defined as the ratio of import to GDP, as an indicator of competition. Analysing the BI and IMD data for 55 and 32 countries respectively they have concluded that economic competition measured by openness reduces corruption. However, using the TI index, Treisman (2000) reports no significant evidence for such an impact. Treisman argues that ratio of import to GDP is not a valid indicator of competitive market as big countries can afford to have a low ratio of import to GDP by having more competition within their country. The author finds Sachs and Warner's (1995) measure of competition, i.e. the number of years a country has been open to trade, having a stronger and negative impact on the level of corruption. In a more recent study, Sandholtz and Gray (2003) report a significantly negative relationship between the length of country's commitment to international organisations like UN, IMF, GATT and WTO, and its level of corruption.

#### 2.4.1.7 Cultural Determinants

Significant research has also been conducted on the impact of different cultural determinants like trust, religion, response to authority, and family association, on the level of corruption. La Porta et al. (1997) investigated the level of trust among the bureaucrats and in their dealings with general public, and its impact on corruption. The authors state a significant negative impact of trust on corruption in a sample of 33 countries. These results have been replicated by some other studies too.<sup>66</sup> In contrast to

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<sup>66</sup> For detailed investigation of relationship between trust and corruption please see: Adsera, A., C.Boix and M. Payne.2000. ' Are You Being Served?: Political Accountability and Quality of Government', Inter-American Development Bank Research Department Working Paper 438. Washington. ; Uslaner. E.2004.

these studies on trust, Lambsdorff (2002) suggests that sometimes trust can be a facilitator for corruption. He demonstrates that countries, where clients are confident that their favours will be reciprocated, display a higher level of corruption.

In the above-mentioned study, La Porta et al. (1997) also investigate the role of religion in the different levels of corruption and observe that hierarchical religious groups like Catholics, Eastern Orthodox and Muslims have negative impact on civic engagement, resultantly favouring corruption. In 33 countries the authors observe a positive correlation between the level of corruption and the percentage of population belonging to hierarchical religions. In his already quoted study, Treisman (2000) observes a negative association between the percentage of Protestants and the level of corruption in a sample of 64 countries. While explaining this relationship between Protestantism and corruption he suggests:

... a greater tolerance for challenges to authority and for individual dissent... renders Protestant societies more likely to discover and punish official abuses... a focus on the family rather than the individual in many traditions other than Protestantism leads to 'amoral familism' and nepotism... Protestant traditions – in which the separation of church and state is more pronounced than in, say, Catholicism or Islam – lead to a more vibrant, autonomous civil society that monitors the state more effectively.

(Treisman 2000: 427-428)

A numbers of researchers conducted similar studies investigating the role of different religions on the level of perceived corruption.<sup>67</sup> In their recent study of two cultural dimensions, in former communist states, from the World Value Survey, Sandholtz and Taagepera (2005) measure traditional versus secular rational-authority attitudes and survival versus self-expression. This means the extent to which people are concerned with personal and economic security, or the personal self-expression and quality of life.

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'Trust and Corruption', in J.Graff Lambsdorff, M.Schreamm and M. Taube. (eds) 'The New Institutional Economics of Corruption – Norms, Trust, and Reciprocity', London: Routledge: 76-92

<sup>67</sup> In an interesting study Lipset and Lenz (2000) have asserted that its not Protestants work ethic per se, that reduces corruption, rather, Protestantism reduces corruption because of its association with individualistic, non-familistic relations. Other significant studies include: Paldam, M.2001. 'Corruption and Religion. Adding to the Economic Model', *Kyklos*, Vol.54 (2/3): 383-414; Sandholtz, W. and M. Gray .2003. 'International Integration and National Corruption', *International Organisation*, Vol.57 (4): 761-800; and Gerring and Thacker (2005).

Study suggests that African and Muslim countries have traditional and simultaneously a survival attitude due to their low income. Authors have found out that ‘a strong ‘survival’ orientation contributes twice as much as a strong ‘traditional’ orientation to higher levels of corruption’ (Sandholtz and Taagepera 2005: 109). Commenting on combinations of states authors suggest that ‘giving up on god while still feeling insecure, unhappy and intolerant, is the realm of formerly and presently communist-ruled countries’ (Ibid: 117). Lipset and Lenz (2000) based on the responses to two questions of World Value Survey (WVS) constructed a ‘familism scale’, and found out that countries with familistic cultures are more corrupt than countries with individualistic cultures like most Protestant countries.<sup>68</sup>

### **2.4.2 Empirical Research of the Impact of Corruption**

Empirical research on the impact or consequences of corruption has increased in recent past. Corruption primarily affects the income distribution and resource allocation in any society, but there are many secondary effects of corruption, which have been subject of various empirical investigations. A detailed analysis of empirical work done on the consequences of corruption is beyond the scope of this research, therefore, we will only enlist the major areas, which have been identified as being most influenced by the prevalence of corruption in any state. The current body of knowledge investigates the impact of corruption on issues like: domestic as well as foreign direct investment, growth, inequality, governmental functions along with international dimensions of corruption. It is imperative to keep in mind that there are multiple variables, which could both be cause as well as a consequence of corruption, and at times it is almost impossible to establish the causality, hence, flexible conclusions are preferable over rigid ones about such variables.

## **2.5 Conclusion**

In this chapter we have sketched an overview of the body of knowledge developed so far on the issue of corruption. We traced back the evolution of the academic interest in the

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<sup>68</sup> Two statements of the WVS were: regardless of the qualities and faults of one’s parents, a person must always love them; and the second statement measured the percentage of people who think that divorce is unjustifiable.



phenomenon of corruption to the early 1960s. Though corruption exists since the time when public and private purse were not two different entities, however, academic interest in this socio-political as well as economic phenomenon emerged with the development of the Functional approach regarding the utility of corruption. Prior to that, the undesirability and abhorrence attached with the term appears almost tautological. Regardless of the inherent flaws and weaknesses, corruption owes its present status as a valid academic research issue and the current universal interest in the phenomenon, to the advent of functional school of thought.

Robert Merton (1949), as a well-known American sociologist, particularly influenced the development of the revisionist school of thought in 1960s. Myron Weiner (1962), Nathaniel Leff (1964), David Bayley (1966), Joseph Nye (1967), and Samuel Huntington (1968) were the ones who introduced a functionalist approach regarding corruption in the realm of political science. Functionalists or Revisionists highlight the possible benefits of corruption by indicating that it can 'grease the rusty wheel of economy' in societies where bureaucracies are inefficient, cumbersome and obstructive. Leff was the first to express the economic utility of the corruption by suggesting that the pursuit of economic development might not be the top priority of governments and bureaucracies of the developing world, so corruption as a deviation from the stated policies of the state could be helpful in the development of de facto policies, more development centric than the policies evolved through de jure channels of the bureaucracy.

Huntington views corruption as an incumbent part of transition from traditional to modern society. He believes that modernising breeds corruption but modernisation eliminates it, so rampant corruption during the process of transition has the seeds of its own destruction. According to revisionists' corruption as a mean of interest in the spoils induces unity among the political players, thus promoting political stability in fragile societies. Revisionists also believe that corruption not only can buy political access for the socially excluded classes but can also be a pre-emptive defence against the emerging revolutions in socially fragmented societies.

We have also seen that by contrast to the revisionist school, Moralists or Post-revisionists believe only in the detrimental effects of corruption. Moralists criticise the revisionist approach and charge them with inadequate research, intellectual inconsistencies,

fallacious reasoning and overgeneralisations. According to them functionalists fallacies germinate from their inability to see the systemic character of corruption and their reluctance to analyse its consequences in a dynamic perspective. Among the numerous moralist writers few of the prominent ones include: Gunnar Myrdal (1968), Robert Klitgaard (1988), Shahid Alam (1989), Paulo Mauro (1995), Rose-Ackerman (1997), Daniel Kaufmann (1999) and Vito Tanzi (2000).

Moralists believe that corruption is not self-destructory but rather breeds on itself and is self-perpetual in nature. Moralists find it hard to locate any benefits of corruption. They rather believe that corruption neither increases allocative efficiency nor it facilitates capital formation rather it reduces investment. Corruption, according to moralists, is more of sand than grease to the wheel of economy; it increases inefficiency and obstructive nature of bureaucracy, and causes inequality of income and misallocation of resources. They further suggest that instead of uniting socially excluded groups, regions tribes, and families' corruption is more likely to exacerbate these divisions. Moralists sum up their harangue of functionalist ideology by stating that: 'corruption appears not to be beneficial for economic development, nor is it indispensable as a tool of political integration' (Alam 1989: 453). Although the collective results are contradictory, yet this debate between Revisionists and Moralists has caused some very useful and interesting studies. After having a detailed view of both schools we have realised that in a way the debate has been interestingly asymmetrical. While Moralists insist on the harmful nature of corruption, Revisionists are dwelling on the possibility of positive or beneficial outcomes. Revisionists concentrate too much upon anecdotal evidence, hypothetical examples, simplistic generalisations, illusionary scenarios, and obscure relationship between corruption and possible positive social outputs. While at times, Moralists also suffer from displaying a priori knowledge about the consummate deleterious consequences of corruption and the superiority of the legitimately drawn policies over the ones conceived with somehow suspected motivations. Moralists also have a tendency to attribute an exaggerated amount of social problems to corruption (Johnston 1986:459). We have argued in this chapter that no doubt corruption has much negative impact for society and the state yet excessive moralisation about corruption is also not very beneficial for the practical concerns of the public policy in the developing world.

We have also discussed some of the general studies of corruption outside this debate of conflicting views regarding the utility of corruption. Such studies have mostly focus on any one developing country from Africa or Asia and try to delineate the prevalent trends of corruption and sometimes the measures taken to control the spread of this transpiration. But curiously, to the best of our knowledge, no such country-specific study focusing on Pakistan, (despite being notoriously known for her widespread corruption) does exist in the current body of literature.

Considering the multidisciplinary nature of the core issue and the scope of this study we have also analysed the empirical studies of corruption that are conducted mainly under the auspices of economics as a discipline. Such empirical studies have been discussed mainly under causes of corruption. Numerous empirical studies have been conducted on numbers of variables considered to be causing corruption. Some of those variables are: government size, kinds of governmental systems, institutional quality, excessive and complex regulations, recruitment and salaries, role of judiciary, competition in the market, political systems, and cultural determinants like trust, reaction to authority and role of religion.

The current body of knowledge on corruption is mainly linked with the question of utility of corruption, country specific studies, few theoretical explanations of the phenomenon, or the empirical investigations based on the different corruption indices. Of late, most of the research about corruption has one or the other way used anyone of the corruption perception indices. These indices unanimously are based on different subjective assessments, about the level of corruption, made with the help of elite business surveys or expert panels. Basically these assessments are the perceptions of business people, the experts, the common man, or the foreign investors, which they have about the prevalence of corruption in a certain country. Interestingly, despite being the target of this debate, there is no study investigating the perceptions of the bureaucracy or civil servants regarding the issue of corruption. Multitudes of academic studies are conducted every year asking why public servants do corruption. Or how they could be threatened or motivated not to do corruption. But literature is quiet silent if one wants to know the perceptions, thoughts, or the motivations of those individuals or institutions that are being

charged, rightly or wrongly, with the accusation of indulging in corruption and corrupt practices.

How could these perceptions of public servant be obtained; and how could these perceptions be used for discovering the causes consequences and control of corruption, ultimately leading to better institutional quality and governance in any state? These are the questions we will be trying to answer during the course of this study.

After establishing the dysfunctional nature of corruption, the coming chapter will discuss the empirical measurement of corruption. As different degrees of fever demand different responses, so to ensure proper treatment it is imperative to measure the fever correctly; similarly prior to embarking on any corruption eradication quest in any specific segment, society or state it is important to exactly measure the real level of corruption in that area. And as it is difficult to measure any phenomenon without understanding the phenomenon and its allied intricacies fully, so we will analyse the core concepts like: definitions, categories, characteristics, kinds, and models, prior to any discussion of measuring techniques and the generally utilised tools for measuring corruption.

## Chapter 3

# Empirical Measurement of Corruption

One of the major issues, related with the research on corruption, is of defining it. Apparently an innocuous one, this issue could affect the outcome of any investigation, as whatever is measured depends on what really is defined as corruption. Referring to this dilemma, one scholar quoted an interesting analogy according to which, corruption ‘is rather like the elephant – you recognise it when you see it but cannot easily define it’ (Hill 1997: 6). In the coming pages we will strive to define the elephant of corruption.

In order to measure something scientifically it’s imperative to understand the various shades, forms, and qualities of the phenomenon. Consequently, in this chapter we will have a succinct overview of the decades old debate regarding the universal and comprehensive definition of the phenomenon. It is important to understand this debate, because without reaching a commonly agreed definition it is impossible to draw conclusions, which are generally recognised. In this chapter we will try to explain the evolution of the concept- especially as a field of scholarly interest - its cultural genesis, and various sets of popular definitions. Furthermore we will delineate the basic characteristics, various types and different modes of corruption, before analysing the measuring techniques and the tools employed for measuring corruption. In the end the various models and theories of corruption will be assessed and analysed.

### 3.1 Definitional Evolution of Corruption

The term ‘corruption’ has as many variegated shades of meaning as it has in terms of usage and is generally used for an extensive range of illegal activities. Various dictionaries offer multiple meanings or definitions of the term, ranging from physical destruction, moral perversion, and putrefaction to the inducement (as of a public official) by improper means (as bribery) to violate duty (as by committing a felony). According to the Oxford English Dictionary (OED), the term ‘corrupt’ has originated from the Latin *corruptus*, which is the past participle of the verb *corrumpere*, which means to ‘mar, bribe, or destroy’. ‘Corrupt’ is being defined as a person who is: ‘willing to act

dishonestly in return for money or personal gain'. OED has placed the political context of the term 'corruption' as the second explanation – after moral deterioration – according to which corruption is the use of corrupt practices, especially bribery.

Linguistically, the term corruption refers to adulteration, contamination, perversion, and destroying the wholesomeness of anything. Politically, this term has acquired various shades in different periods of history, but various giants of political theory have fundamentally assigned the same meanings to the term corruption. In Aristotelian view, man's insatiable desire to get more is the bases of his corruption. Plato, too, associates the corruption of human nature and the city with the dominance of the avaricious part of the human soul. For Machiavelli, corruption is the decay of citizens' virtue, and for Rousseau corruption is the natural corollary of the struggle for power.<sup>69</sup>

Modern usage of corruption is quintessentially associated with misuse of public position or power for private gain. This misuse could be associated with both the political as well as bureaucratic actors and elites. The modern idea of corruption owes its genesis to the evolution of two basic concepts: first, a 19th century development of a clear distinction between private and public spheres, and second, the concomitant 20th century idea of impersonal obligations, which evolved with the Weberian notion of bureaucracy. As already mentioned, from definitional perspective, corruption like governance is an 'essentially contested concept'. Since last fifty years, various definitions of corruption from legal, social and economic perspective have been vigorously debated in the academic circles.

While discussing the quest for a precise definition of corruption, Robert William (1976:41) noted that 'there are nearly as many definitions of corruption as there are species of tropical plants'; questioning the utility of this exercise, he remarked 'the point is that the search for the true definition of corruption is, like the pursuit of the Holy Grail, endless, exhausting and ultimately futile.' He went on to argue that any definition is neither true nor false but rather 'like a proposal of marriage; it may be accepted or rejected but the proposal itself cannot, in any meaningful sense, be said to be true or false'.

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<sup>69</sup> A detailed account of the ideas of Aristotle, Plato, Thucydides, Machiavelli and Rousseau on the "corruption of body politic" could be found in Dobel (1978).

The political scholarship even at the beginning of 20th century had started to emphasise the need for developing a definite concept of the term; a definition, general in application, and encompassing the protean forms this phenomenon can acquire. According to Robert Brooks (1910) there is hardly any other term in the vocabulary of politics that is so frequently used without a clear understanding of the essential nature of the phenomenon. Discrediting the synonymous use of corruption and bribery, Brooks goes on to define corruption as ‘the intentional misperformance or neglect of a recognised duty, or the unwarranted exercise of power, with the motive of gaining some advantage more or less directly personal’ (1910:43). It is obvious that this definition does not confine the phenomenon to the public sector, such derelictions mentioned in this definition could very much occur both in public, as well as private spheres of life. The author chose this wide definition because he believes in the universality of corruption and argues that corruption is quite as possible elsewhere as in the state, however to adjust the definition to also cover the state corruption, Brooks has suggested to qualify the word ‘duty’ by the phrase ‘to the state’ (Ibid: 43-45).

Scholars representing divergent schools of thought have proposed different definitions of the term depending on their line of argument. Arnold J. Heidenheimer (1978) had very skilfully summarised this whole debate about the multi faceted definitions of the term ‘corruption’, by categorising the prevalent definitions into three broad groups: public-office-centred, public-interest centred and market-centred definitions (Heidenheimer 1978:4-6). The following discussion regarding these three groups of definitions is mostly based on the aforementioned commentary of Heidenheimer.

The vague general impression, which emerges with the word of corruption, is somehow related to something unholy happening to the public office or perpetrated by the public officials. As this research specifically deals with bureaucratic corruption so, it would not be out of place to have a brief introduction of the concept of ‘public office’ prior to any discussion regarding the subtleties of corruption.

### **3.1.1 Origin of Public Office**

Otto Hintze (1964) while describing the position of German *Beamten* has very aptly enlisted the characteristics of a public official: ‘...not only his working capacity but in a

certain sense his whole personality is claimed. He may not receive gifts, he may not exercise a profession, he may not have any side earnings at all without the permission of his superiors, as officeholder he is expected to devote all his working capacity to the state; the office is his only and exclusive calling' (Hintze 1964:72). It is worth noticing that the level of disinterestedness and 'self denying inhibitions' associated with the idea of public office (especially in today's West and in the non-West, at least theoretically) has not crept into these societies overnight, rather it has evolved over a passage of multiple centuries. Pre-bureaucratic systems were mostly based upon patrimonial domination, in which the ruler had unrestrained, unlimited power over his entire dominion, which he used to delegate to his officials, who in return enjoyed the same power over their subjects. Even if officials were utilising the resources for their private gains there was nothing corrupt in this, until they were not defying any specific instructions of the ruler. In case of defiance it was more a case of insubordination than corruption.

In feudal Europe, office was more of a property than a place for fulfilling assigned duties. According to Weber, who sees this as a characteristic of both feudal system and early modern patrimonial bureaucratic state, 'whatever traces of (an objectively defined official duty) there are disappeared altogether with the treatment of the office as benefice or property' (1968:1040). In this early modern patrimonialism, rulers assigned the right to collect fees from his subjects to their favourites or to purchasers. The growth of permanent officialdom started very gradually after the decline of feudal systems; in the early sixteen-century officials started to be recruited out of academically trained young men as royal servants, who received fix salaries apart from being the collector of rich emoluments of office, with a certain share in the fees collected on behalf of the ruler.

In continental Europe rulers, in order to meet the financial demands of costly military campaigns started the practice of selling offices in the 16th century, a custom that increased enormously in 17th and 18th century. Revolutionary France and Prussia started this shift of abolishing all kinds of benefices as income sources for public servants and replacing it with regularised fixed salaries, which was adopted gradually by the whole continental Europe. Initially higher officials received salaries commensurate with their social positions, but this tradition of favouring the higher officials decreased with the



passage of time. From 1800 to 1960 the differential ratio between the salaries of highest and lowest French officials decreased from 100:1 to 6:1 (Heidenheimer 1978:9-15).

### **3.1.2 Three Sets of Definitions**

Now coming back to definitions of corruption, the first category i.e., public-office-centred, contain definitions, which revolve around the concept of public office and the deviations, from the norms, rules, and procedures of those public offices, by their occupants. Definitions from mostly functionalist scholars like David Bayley (1966), Joseph Nye (1967), and Samuel Huntington (1968) fall under the public-office-centred category. According to the definition of Bayley ‘corruption, then, while being tied particularly to the act of bribery, is a general term covering misuse of authority as a result of considerations of personal gain, which need not be monetary’ (1966: 721). While Huntington has defined the same term as, ‘behaviour of public officials which deviates from accepted norms in order to serve private ends’ (1968:59). However, the major problem with such definitions is the fact that they consummately rule out any investigation of corruption in pre-bureaucratic systems. Scholars interested in such historical studies have mostly employed public interest or market centred definitions of corruption.<sup>70</sup>

The second set of definitions is associated with the concept of public interest. Scholars under this category hold the view that public-office-centred and market centred definitions are, either too limited or too broad in their scope of the term ‘corruption’. Definitions under this second category hold the concept of public interest as vital to any definition of corruption, as the eventual sufferer at the hand of corruption is the common good or the public interest. Carl Friedrich (1966), Arnold A. Rogow and H.D. Lasswell (1963) are among the most prominent of the scholars under this category. Carl Friedrich holds that corruption is assumed to be present whenever a power-holder ‘who is responsible functionary or officeholder, is by monetary or other rewards not legally

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<sup>70</sup> For instance Jacob van Klaveren (1957) in his historical evolution of corruption has remarked that by definition corruption could not exist under monarchy and the states functioning on the constitutions built upon the idea of popular sovereignty. More over Bert F. Hoselitz (1959) in his historical study of performance levels and bureaucratic structures has also employed a market orient definition of corruption. Both of these studies are present in Heidenheimer (1978).

provided for induces to take actions which favour whoever provides the rewards and thereby damage to the public and its interest' (1966:74). Similarly, Arnold Rogow and H.D. Lasswell maintain that 'A corrupt act violates the responsibility toward at least one system of public or civic order and is in fact incompatible (destructive of) any such system. A system of public or civic order exalts common interests over special interest; violations of common interest for special advantage are corrupt' (1963:132).

The third block is concerned with the definitions, which describe corruption in terms of the tenants of economics and market theory, without giving much consideration to the norms, values or morals governing the public office bearers. Among the definitions belonging to this category are the ones proposed by Jacob van Klaveren (1957), and John Leff (1964). While describing corruption, van Klaveren maintains: 'a corrupt civil servant regards his office as a business, the income of which he will...seek to maximise. The office then becomes a "maximising unit". The size of his income depends... upon the market situation and his talents for finding the point of maximal gain on the public's demand curve' (1957: 39). John Leff, while expounding his famous and most influential economic interpretation of the phenomenon, has defined the term corruption as 'an extra-legal institution used by individuals or groups to gain influence over the actions of the bureaucracy. As such, the existence of corruption *per se* indicates only that these groups participate in the decision-making process to a greater extent than would otherwise be the case' (1964:8).

The public-office-centred definitions are criticised for being shallow in their interpretation, as the primary functions of the public office is to work for and to ensure the common good or public interest. Defining corruption from public office's point of view is, in fact, to define it from public interest perspective. When Nye defined corruption as a deviant behaviour from the normal duties of a public role because of private-regarding, he indirectly alluded to the public interest, which was being compromised because of the personal gains. Similarly public-interest-centred definitions are also accused of 'confusing the phenomenon with its consequences' (Philp 1997:440); as corruption directly undermines the common interest, jeopardised public interest is an impact of corruption and not the phenomenon itself.

Both the public-office and public interest centred definitions were criticised for being normative in their judgment about the scope of the public office or the nature of public interest. These definitions do not indicate what should be the character of the public office or what is the nature of public interest, which is supposed to be preserved. Secondly, who will decide the criteria on which the scope of public office and the extent of public interest can be measured? Mark Philp (1997) forwarded three main determinants for deciding these questions: public opinion, legal norms and the modern western democratic standards. But the choice of any of these determinants is also fraught with allied difficulties. First, whose opinion should weigh how much, secondly, all corrupt acts are not illegal, all the laws are not universal, and they could also originate in corrupt environment; and finally, applying western democratic standards in non western cultures could call for serious charges like censoriousness, and condescension on the part of western intelligentsia.

Market centred definitions were blamed for being more concerned with the mechanics and circumstances of corruption than the actual definition of the phenomenon. The issue of illegality is also vital to many market-centred definitions of corruption as it is again the law or certain set of rules, which distinguishes between a free market and black market. This dependence on legal norms was once again challenged on the contention of non-universality of the legal interpretations and applications; arguing that something illegal in one country might be legal in the other, rendering the same activity as corruption in one and perfectly acceptable in the other; secondly, it is also argued that legal codes are too narrow to view the phenomenon of corruption holistically from the point of view of political science (Heywood 1997:423).

### **3.1.3 Cultural Embeddedness of Corruption**

As already pointed out debate about what really constitutes corruption is very old in the academic circles, especially those of political science.<sup>71</sup> One of the major problems associated with the concept was that it was generally viewed through a prism of cultural

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<sup>71</sup> Early literature on corruption is filled with the definitional debates regarding corruption. For interesting early discussions of this topic please see Brooks (1910), David Bayley (1966), and Arnold Heidenheimer (1978), for a more recent view of the issue please see Paul Heywood (1997). For a detailed and exhaustive discussion about the definition of political corruption please refer to Mark Philp (1997).

values of society where it was being studied. It was often thought that behaviour, which is perceived as corrupt in one culture, might be perfectly acceptable in another. Judging non-western cultures and societies according to western norms and standards of probity was considered as inappropriate. This was quoted as one reason for the early lack of interest, which the western scholarship showed in the investigation of the phenomenon in the developing or transitional societies. While elaborating this problem Bayley (1966) remarked:

It not infrequently happens, then, in developing non-western societies that existing moral codes do not agree with western norms as to what kinds of behaviour by public servants should be condemned. The western observer is faced with an uncomfortable choice. He can adhere to the western definition, in which case he lays himself open to the charge of being censorious and he finds that he is condemning not abhorrent behaviour, but normal acceptable operating procedure. On the other hand, he may face up to the fact that corruption, if it requires moral censure, is culturally conditioned.

(1966:721)

This perceived division in the moral codes of conduct is a primary reason, why such an archaic as well as universal phenomenon like corruption still lacks any universally accepted definition. It is rather a strong believe among the political analysts and scholars that is almost an impossible task to arrive at a generalised and uncontested definition of corruption.<sup>72</sup>

With the advent of the functionalist approach of corruption in 1960s and '70s, some scholars started to use western democratic standards for studying the degree of probity in the non-western societies and cultures.<sup>73</sup> However, again towards the end of the last century, many political analysts questioned the imposition of the western standards on the non-western cultures; and argued that what is considered as a corrupt practice must have some reference to the acknowledged norms and general standard of behaviour within the community with which it is related. Resultantly, the political analysis of corruption

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<sup>72</sup> See Michael Johnston, 'The search for definitions: the vitality of politics and the issue of corruption', ISSJ, Corruption in Western Democracies, pp.321-35 quoted in Heywood, Paul. 1997. 'Political Corruption: Problems and Perspectives', Political Studies, Vol. XLV: 417-435

<sup>73</sup> Among such scholars the few prominent one, which have already been mentioned in this study are Bayley (1966) and Braibanti (1962 and 1966).

remained entangled between the conflicting choices of ‘stipulative definition of following western norms, or a relativist appeal to local norms or standards’ (Philp 1997: 441-442). If the former choice of following western norms was abhorrent, from the personal point of view, the later option of employing a relativistic point of view could have rendered the cross-cultural analysis of corruption virtually impossible.

Probably this reason coupled with the advent of empirical research on corruption - which heavily employs on the cross-country analysis – has considerably mitigated the debate, regarding the definitional issues of the corruption. In our view the question of ‘relativist appeal’ to local norms or the ‘stipulative definition’ following western norms does not arise in the first place, because undesirability of corruption is more or less a universal phenomenon. Notwithstanding the differences of social norms and cultural values, it could be safely assumed that non-western cultures may not be as intolerant towards corruption as the western cultures would be, but they (non-western cultures) certainly do not condone corruption. The gift giving traditions of some non-western societies should not be confused with approval of corruption as a completely acceptable behaviour. John T. Noonan in his epic history of bribery clearly demonstrates that no culture condones bribery; and further anthropological studies also indicate that local people are perfectly capable of distinguishing a gift from a bribe, and they condemn the latter (Klitgaard 2000:14).

Multiple reasons could be quoted as to why this argument of different values of non-western cultures does not hold ground in the field of corruption research. Firstly, taking the plurality of the culture argument seriously,<sup>74</sup> it can be counter argued that even in that case the only condonable manifestation of corruption would be nepotism; while other methods of corruption like bribery and rent seeking would be equally condemnable acts even in such plural cultures. Secondly, public sector corruption is associated with the bureaucratic or the political elites, and both of these segments of the non-western societies are most likely to have a complete knowledge of western standards of probity, as most of them would have foreign education (most likely western education), or would

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<sup>74</sup> Plurality of culture means that developing or traditional societies have close cultures mostly based around the notion of family, tribe, clan or clique. Actors belonging to these cultures are bound to take care of their familial, or tribal relations, and helping their family and friends, even illegally, would be considered as their responsibility, and refusal to do so could result in loss of respect for the one doing so and even could be made a social pariah in extreme cases.

have travelled to the West. Thirdly, in today's world of globalisation, mass media, and Internet, it would be naive to assume that non-western public office holders would be unaware of the western standards of probity and transparency and the allied benefits attached with these standards in terms of social as well as economic development. Fourthly, bureaucratic corruption is the almost half of the total public sector corruption in developing world, and all the bureaucracies of the world are structured to follow certain rules and regulations, which are designed to protect the public interest. Resultantly, a cross-cultural analysis of any bureaucracy is very much logical and should not be deterred on the pretext of western or non-western values.

### **3.1.4 Moving Ahead of the old Debate**

During the last decade a bulk of the research has employed the most widely accepted definitions of the Transparency International (TI), the Asian Development Bank (ADB) and the World Bank (WB) without going into the intricacies of the norms and standards. According to the TI definition, 'corruption involves behaviour on the part of officials in the public sector, whether politicians or civil servants, in which they improperly and unlawfully enrich themselves, or those close to them, by the misuse of the public power entrusted to them'. Similarly ADB has also defined corruption on the same lines but made it more comprehensive by incorporating the unlawful influence, acquired through the office, on one's peers for the benefit of oneself or one's close clique, as corruption. Secondly, unlike TI, the Asian Development Bank has also brought private as well as public sector within the sphere of corruption. According to ADB's definition 'corruption involves behaviour on the part of officials in the public and private sectors, in which they improperly and unlawfully enrich themselves and/or those close to them, or induce others to do so, by misusing the position in which they are placed.'

The World Bank started to take interest in the phenomenon of corruption with the start of 1990s, when the Bank realised that corruption is one of the strongest impediments in the successful implementation of their developmental projects in the under developed or third world. The World Bank's emphasis on the policy of good governance and their concern with corruption evolved almost simultaneously; as it dawned very early on the Bank that achieving the former was almost impossible without successfully tackling the later. The

Bank offers the most succinct, and most widely used, definition of corruption, according to which corruption is simply 'the abuse of public office for private gain'. The WB has most probably derived this definition from the 1930s definition of Joseph J. Senturia, who had defined the phenomenon as 'the misuse of public power for private profit', but Senturia had added an important forewarning to this definition when he said: 'Not all acts which benefit the office-holder at the expense of the people are corrupt, else the term would include all taxation by an absolute monarch to provide accustomed luxuries for his family and court, all sacrifices and gifts given to the priestly class in theocracies' (Heidenheimer 1978:9).

As the outline of the discussion has revealed, there is no universally accepted definition of this phenomenon, yet the common feature, among most of the current and prevalent definitions, is the misuse of the office be it political or bureaucratic, for personal or private gain. Some of the illegal activities like: money laundering, fraud, black marketing or drug trades do not constitute corruption as misuse of public office or public power is not necessarily involved in these activities (Jain 2001:73).

Apart from the above-discussed definitions there are certain characteristics, which help in identifying the phenomenon of corruption from general criminal behaviour. Corruption entails various activities like: kickbacks, bribery, nepotism, and extortion, which fall within the basic parameters of the definition of corruption, and can be regarded as different methods of corruption. Furthermore, corruption can also be divided into three major categories: political, bureaucratic and legislative corruption. Their different characteristics and the methods, which they employ, as well as the different prevalent models of corruption, will be discussed in the coming sections.

### **3.2 Characteristics of Corruption**

Though their effects may be by and large similar, still corruption differs significantly from general criminal behaviour, maladministration and mismanagement of affairs. Alatas (1968) who provides one of the earliest social descriptions of corruption, has stipulated multiple characteristics of corruption, which still holds good for most of the prevalent definitions. The first characteristic is the need for more than one party to turn

any deal or transaction into a corrupt one. Secondly, stealth and secrecy are the inherent qualities of the phenomenon; corruption demands secrecy, unless it is so rampant and common place that, perpetrators do not bother to hide it. Third, there is an inalienable association between mutual obligation or bilateral benefit and corruption, which need not always be monetary. Fourth, perpetrators of corrupt activities usually seek any lawful justification as a smokescreen for their activities. Fifth, persons involve in corruption need definite decisions and they can influence those decisions. Sixth, corruption demands deception, of the public body or society as a whole. Seventh, betrayal of trust is an indispensable part of corruption. Eighth, corruption involves a contradictory duplication of functions: this means the provision of a service, which an individual offers, is at the same time an act on behalf of his office and an action for self-enrichment. Lastly, any corrupt transaction undermines the concepts of duty and responsibility under the civic order within which it is taking place (1968: 12-15). Though this list of characteristics may not be exhaustive, yet it contains a sufficient set of criteria to identify the phenomenon of corruption from the acts of criminal behaviour, maladministration, mismanagement or inefficiency.

Primary most characteristic of corruption proposed by Alatas, i.e. involvement of two parties to make a transaction corrupt, can be contested on some very specific grounds like legislative corruption or undue use of information obtained by virtue of one's official position. For instance, a legislator can vote for or against certain legislation, without promise of any incentive from any second party but with the idea of personal advantage to his business or investment opportunities, sans consideration of common good or public welfare. Similarly, any higher official having the information of forthcoming public policy changes, with long-term fiscal implications, can buy or sell real estate or stock market shares. This practice is quite common in Pakistan, where political elite and high-level bureaucrats, buy cheap real estate in the vicinity of any proposed developmental project site like construction of a new airport or a mega motorway project, and sell that real estate once the prices increase exponentially after the announcement of such projects. What at the time of the purchase appears to the outsider, as an innocuous business investment is in reality the extreme abuse of the public position for personal gain at the expense of thousands of ordinary citizens of the state.



Notwithstanding the fact that in both of these situations existence of a bribing party is not an imperative, yet it definitely involves unfair use of public position for private gain without any consideration for common good, which surely falls within the parameters of corruption. Now with impaired validity of characteristic no.1, a case can also be made for treating embezzlement in public funds as another mode of corruption. Embezzlement, though it does not qualify the characteristic under discussion, involves the extreme use of public office for private gain; secondly, it is a consummate breach of trust, thirdly, it demands acute secrecy, and finally, it severely violates the norms of duty and responsibility. However, for the sake of simplicity and avoiding confusion we would leave embezzlement out while discussing the various modes of corruption.

### **3.3 Modes of Corruption**

Leaving the acts of stealing, embezzlement, and fraud aside, generally four major kinds of illicit activities, namely: bribery, extortions, nepotism and kickbacks, are contained within the parameters of the term corruption. Alatas (1968) was among the first scholars theorising the concept of corruption; he divided corruption into three types: extortive, manipulative and nepotistic. According to our classification these are the modes and not the types of corruption so these concepts are described in this section instead of the next. According to Alatas, extortive corruption is a condition where one is forced to bribe, to defend, or gain one's rights or needs. Manipulative corruption refers to attempts to influence decisions in one's favour in any area of life (1999: 49-50). Alatas description of nepotistic corruption is more or less similar to the dictionary meaning of the word and would be discussed later in this section.

Most of the dictionaries refer to bribery as 'the act or practice of offering, giving, or taking a bribe' and the term bribe is defined as 'something, such as money or a favour, offered or given to a person in a position of trust to influence that person's views or conduct'.<sup>75</sup> Bribery is the most widely recognised manifestation of corruption; in layman's perception it is at times synonymous with corruption.

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<sup>75</sup> Bribe. Dictionary.com. The American Heritage® Dictionary of the English Language, Fourth Edition. Houghton Mifflin Company, 2004. <http://dictionary.reference.com/browse/bribe> (accessed: February 27, 2008).

The second mode of corruption is known as extortion, which generally refers to the illicit use of one's official position or power to obtain funds, property or patronage from the clients. Webster's Dictionary of Law defines extortion as 'the act or practice of extorting especially money or other property; specifically the act or practice of extorting by a public official acting under colour of office'.<sup>76</sup> The significant difference between bribery and extortion is that the former could be initiated both from the public official or the client; while the later mode of corruption can only originate from the public official, as the use of force of the public position is not that significant part of bribery as it is of extortion.

The third mode of corruption is nepotism, which means bestowing patronage or displaying favouritism to ones close friends, family or tribe for the appointment to public jobs without any regard to merit. The very origin of the word explains the true essence of this phenomenon. The term is derived from French word '*népotisme*' or the Latin word '*nepos*' that means 'grandson or nephew'. The term historically refers to the policy of some of the earlier popes of placing their relatives in the positions of responsibility and honour in the church. In the middle Ages it was originally used to refer to the privileges granted to a pope's 'nephew', which was a euphemism for his natural son. In modern times it is defined as 'favouritism shown to relatives, especially in appointment to high office'.<sup>77</sup> Culture bound explanations of corruption normally refer to this mode of corruption which could have different interpretations or degrees of tolerance in different cultures.

The fourth major mode of corruption, kickback, refers to an illicit payment made by a seller to a buyer for making a certain transaction possible. Public office holders engaged in public procurement obtain a certain share of the total transaction from the vendors for doing business with them. Negating principles like merit, strict quality control, and the lowest bid, is a natural corollary of this kind of corruption. Webster's Dictionary of Law defines this phenomenon as 'a payment (as of money or property) made to one in a

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<sup>76</sup> extortion. Dictionary.com. Merriam-Webster's Dictionary of Law. Merriam-Webster, Inc. <http://dictionary.reference.com/browse/extortion> (accessed: February 27, 2008).

<sup>77</sup> nepotism. Dictionary.com. Online Etymology Dictionary. Douglas Harper, Historian. <http://dictionary.reference.com/browse/nepotism> (accessed: February 27, 2008).

position to open up or control a source of income for the payer, a kickback is specifically a payment for income received or to be received'.<sup>78</sup>

These four modes of corruption are utilised to varying degrees in different types of corruption. For instance, nepotism would be relatively more common in political and bureaucratic corruption than judicial corruption; as politicians have to satisfy their constituencies and bureaucrats have the opportunity to oblige their families and cliques. One example substantiating this point is the induction of thousands of workers in various public sector jobs by different political governments in Pakistan. The Peoples Party, whenever came to power they rewarded their supporters with public sector jobs. Similarly, whenever The Muslim League was in power they ousted all the inductees of pervious government and rewarded their supporters with those positions. This has again happened in the current stint of Peoples Party's government, which has reinstated thousand of political appointees, which were rewarded with government jobs during the last government of Benazir Bhutto and were removed from the service by the subsequent government of Nawaz Sharif.

### **3.4 Categories of Corruption**

Corruption manifests itself in multiple forms and shades. The varieties are abundant, but for analytical facilitation corruption is divided into three major categories; each category covers a certain pool of public responsibility which is being polluted by the misuse of the power delegated to the actor endowed with that responsibility. The genesis of power in the modern state is embedded in the trinity of legislatives, executives and judiciary; and contamination of this trinity produces political, bureaucratic and judicial corruption.

According to the concept of separation of power, the other two organs of the state should check corruption of the third organ, but our experience of the developing world indicates otherwise. Here question arises that if theory of separation of powers hold true, then why does the corruption of one organ of state is not checked by the other two organs? Answer probably lies in the relative division of power or the gradual but simultaneous decay in

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<sup>78</sup> kickback. Dictionary.com. Merriam-Webster's Dictionary of Law. Merriam-Webster, Inc. <http://dictionary.reference.com/browse/kickback> (accessed: February 27, 2008).

the standards of probity of the whole state system. More over, each arm of the state gets the due share in the booty so the motto 'I scratch your back and you scratch mine' rules the various sections of the state. An in-depth analysis of this problem is beyond the scope of this study but it can be a potential issue of further investigation in the field of corruption research.

### **3.4.1 Legislative or Political Corruption**

In the prevalent corruption literature, legislative corruption normally refers to influencing the voting behaviours of the participants during a legislative process. Certain business class or interest groups can influence the legislators, by offering heavy bribes or huge personal dividends, to obtain legislations favouring the bribee. This category of corruption is linked with vote buying and vote selling. Political elites buy the votes in their constituencies to be elected and re-elected to the constitutional bodies, and then sell their votes in favour of or against certain legislations, to few influential beneficiaries of those legislations in return of enormous personal profit. As legislators are predominantly the political elite of society, it is logical to combine political and legislative corruption.

Political corruption refers to the acts of omission or commission, with a *mala fide* intent of personal gain by the political elites of the state. They are charged with the responsibility of devising policies for the allocation of the resources of the state, with the objective of ensuring maximum good for maximum number of people. A corrupt political elite can divert the flow of resources in the directions best suited for its personal gains or for the benefit of families, friends, or cliques, with or without marginal consideration for the welfare of the general public. Without any standardised and prescribed set of rules for such resource allocation, political corruption could be as hard to detect, as it can be deleterious for the socio-economic growth of the state. Besides this, corrupt political elites can also influence the implementation of the certain policies for the profit of certain group, class or clan in lieu of dear returns both in cash or kind. The difficulty in political corruption is that with every policy formulation, implementation or resource allocation, a certain section of the community would be benefiting, making it hard to prove that dishonest intent or personal interest was the motivation behind those policies.

Political corruption is generally grand in nature, as it involves big sums of resources of the state and the hard earned money of the taxpayers. The perniciousness of such corruption, both for society and the state, is generally enormous. The greater the volume, the higher is the impact on the socio-economic fabric of society. Secondly, misplaced resources and misdirected national policies could have long-term detrimental consequences for society at large. As Tanzi and Davoodi (1997) maintain that such corruption not only affects economic growth by influencing the choices of projects but it can also lead to allocative decisions having negative effect on the growth and development of the country. Political corruption is a very plausible explanation for the predilection of most third world governments towards extensive infrastructure and defence projects as well as unique and expensive machinery and technology rather than the appropriate ones. The social cost of such misdirection of resources can enormously exceed the revenue generated through such corruption.

In retrospect of above, indices for measuring corruption can employ an empirical tool to their methodology by correlating the expenses in the sectors which are highly corruption prone – like infrastructure and defence – with expenses in sectors like education, and health where relatively less investment would lead to high dividends for the ordinary people, but which are not being ambitiously undertaken since they do not promise much scope for illegal gains in the form of kickbacks etc.

Political corruption can be found both in developed as well as developing societies. However, the legislative form is more common in developed than in developing countries. The resource allocative type of political corruption is much prevalent in developing or transitional societies. The vote-buying form of legislative corruption is a common practice in developing states while a rare phenomenon in developed societies. However vote-selling kind of legislative corruption exists comparatively more in developed cultures; probably because the change through legislation is a trait of more developed political cultures. While the developing or transitional societies, lacking resources, transparency, and a mature political culture, assign resources in much obscure manner.

### **3.4.2 Executive or Bureaucratic Corruption**

Bureaucracy is a state agency composed of the selected or appointed agents chosen by the state for the implementation or execution of its policies. Theoretically bureaucrats are the agents answerable to their principal, i.e., political elite, for providing services to the general public, which acts as client in this case. Bureaucratic corruption alludes to acts of omission or commission by the bureaucracy in their dealings with either the principal or the client. The most common form of bureaucratic corruption is illicit charges levied by the bureaucracy, on the general public, for provision of the services to the general public, which is entitled for those services. Smooth and timely provision of those services is one of the responsibilities of the bureaucracy. Charging speed money for expediting bureaucratic procedures, which is slowed down specifically for this purpose, is therefore another form of bureaucratic corruption. Providing services to someone who is legally not eligible, in exchange of some illicit benefit in cash or kind is another form of bureaucratic corruption. Apart from services, bureaucratic corruption involves in some cases the provision of potentially valuable information, to someone who is not entitled to that information, in return of personal benefits. Bureaucratic corruption could be both: petty and grand, sporadic and systemic, having short and long-term consequences, slightly harmful as well as poisonous for the organism of society.

By virtue of its public-centric nature, bureaucratic corruption is the most visible form of corruption in any social strata, having deleterious consequences for the socio-psychological well-being of society. Widespread manifestation of such corruption in any society could inculcate frustration, despondency, negativism, and apathy in the masses, triggering a vicious cycle of poverty, unequal distribution of resources and underdevelopment. Detection of this form of corruption is not as hard as the political corruption, but its eradication is equally difficult; as normally the shepherds belong to the very same bureaucratic flock, against which they would be working.

A general impression is that bureaucratic corruption is much ubiquitous in less developed or transitional societies, and equally exceptional in established political cultures of the developed world. This is attributable to numerous factors, however, a few more prominent are: scarcity of education and public awareness, apathetic public attitude, concentration of powers in the hands of bureaucracy, and the dearth of political will.

### 3.4.3 Judicial Corruption.

Manipulation of the judicial process in favour of or against someone in return of pecuniary or material benefit falls in the category of judicial corruption. This category of corruption works through delaying the judicial proceedings, affecting the judicial process, and influencing the judicial decisions; resultantly, subverting the very judicious spirit of the law and the state. The provision of fair, transparent and speedy justice to its subject, which is the *sine qua non* of the state, is significantly undermined by the presence of corruption in this third arm of the state.

Cost of corruption depends on the probability of being caught and on the severity of resultant penalty. Judicial corruption or malfunctioning of this organ of the state, not only reduces the probability of being caught, for the perpetrator of corrupt practices, but also diminishes the severity or effectiveness of the penalties, resultantly reducing the over all cost of corruption significantly. Secondly, registered corruption cases, if there are any, goes to judiciary for decision and if organ itself is corrupt, the one seeking justice is likely to be left with nothing.

Consequences of judicial corruption might not be very concrete in terms of its manifestation, but its subjective or discrete ramifications are enormous for society. Nothing contributes to the helplessness, frustration, antipathy, and malevolence of the common man, as much as the presence of this disease in society. Following extract, from a questionnaire filled by an official of Motorway Police; aptly describe the feelings of any victim of judicial corruption.

A relative of mine was baselessly involved in a murder case. Here in Pakistan police arrests a person just on the basis of nomination by plaintiff. Now he has to prove himself innocent. It is a long process from police to jail and court. Every department, at all steps, is corrupt. It is too bitter to narrate the hardships, mental torture and high financial expenses involved.

29 years old, male police officer of the Motorway Police from Rawalpindi quoted this incident of a close relative of his, in June 2007 while filling in the questionnaire for the survey.

In Pakistan a whole political party – Pakistan Therke Insaf (Pakistan Movement for Justice) - was established with the sole motto of delivering justice to the people.

Eradication of judicial corruption is a complicated issue, as often the lawmakers and the law enforcers are among the beneficiaries of the shortcomings of this institution. Extent of judicial corruption in Pakistan can very easily be assessed by the following views expressed by a respondent from the Motorway Police.

I started my profession as an advocate. In this profession I concluded that in our judicial system you can get merit or justice, but only by paying money day in and day out. In civil cases you have to pay on the very first day of entering a case and then on every adjournment; whereas, in criminal cases, you have to pay police, prosecution branch, and then staff of the judges. This is so common that I felt that it is legal, and we are bound to pay. In our judicial system corruption is very high on lower staff (staff of judges); whereas, majority of our judges are honest and impartial.

Another young male officer of Motorway Police from Mianwali (a small city in Punjab) who was a lawyer prior to joining MP narrated his personal experience of judiciary during the survey of MP in June 2007.

This category of corruption is again prevalent in the third world or developing societies, while the developed societies of the world are considerably free from this syndrome. Among the primary reasons for the absence of this kind of corruption in the developed world are: rule of law, public awareness, freedom of press, and the power of the electorate. While the scarcity of these very factors in the developing world is responsible for the reverse trends in transitional societies.

### 3.5 Models of Corruption

Different researchers and scholars, specially belonging to the discipline of economics, have tried, from time to time, to propose various models to explain the degree, effects and persistence of corruption in different societies of the world. Economic research, which has expanded many folds in last two decades, has mostly focused on the principal-agent model of corruption.<sup>79</sup> This model concentrates on the relationship between principal and

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<sup>79</sup> Few of the prominent economic studies focusing to principal-agent model include: Becker, Gary S., and George J. Stigler. 1974. 'Law Enforcement, Malfeasance, and the Compensation of Enforcers', *Journal of Legal Studies*, Vol.3:1-19; Banfield, Edward.1975. 'Corruption as a Feature of Government Organisation', *Journal of Law and Economics*, Vol.18: 587-605; Rose- Ackerman, Susan.1975. 'The Economics of Corruption', *Journal of Public Economics*, Vol.4: 187-205; Rose-Ackerman, Susan. 1978. *Corruption: A*



agents; in case of a true democratic society, the public functions as the principal and the political as well as the bureaucratic elite serves as agent to that principal. While in non-democratic societies, which most transitional societies are, the political and bureaucratic elite assumes the role of the principal, while the middle and low level executioner are assigned the role of agents. Robert Klitgaard (1988) extended this approach further, by incorporating the general public as the client, and converted this bipolar nexus to a tripartite arrangement as principal-agent-client model, details of which will be explained later. The major purpose of these and various other similar endeavours, was to formulate some theoretical models on the basis of which the differential incidence and persistence of corruption can be explained; and reasonable generalisations can be drawn regarding the varied levels of corruption in different parts of the world. In the coming section few of such more significant models of corruption will be briefly explained.

### **3.5.1 Agency Models of Corruption**

Agency models serve to explain high-level political and legislative corruption by analysing the motives behind the actions of political actors. Corruption influences the incentives and restraints available to political elites; an agency model analyses the impact of variation in those incentives on the decisions of the political elites. Agency theory suggests that public officials like any other human being, tend to maximise their self-interest, and if they are provided with the opportunities to indulge in corrupt practices, they will do so unless they are closely monitored or supervised (Williams 1999:507). According to agency models the principal has to motivate and monitor the agent to ensure the protection of principal's interest. Achievement of former is ensured through provision of incentives to the agent in shape of favourable contracts; but the fulfilment of the latter is considerably intricate, as it demands extensive informational infrastructure as well as resources. Apart from effective monitoring, the principal should also have the means to

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Study of Political Economy. New York: Academic Press; Klitgaard, Robert. 1988. Controlling Corruption. Berkeley, CA: University of California Press; Klitgaard, Robert. 1991. Tropical Gangster. New York: Basic Books.

hold the agent accountable for his actions.<sup>80</sup> The inability on the part of the principal to monitor the agent effectively or to reprehend the undesirable actions of the agent, breeds the ground for corruption.

Rose-Ackerman (1978) was the first to employ a similar model for understanding grand political and petty bureaucratic corruption. According to her model perfect information is a bane for the presence of legislative corruption; as legislators have to choose between their chances of re-election, which will diminish with the reporting of each of their undesirable act, and their gains through corrupt practices. However, situations of imperfect information, or where voters could be bought and sold, would bear great potential for corruption; as lack of proper information would not harm their chances of re-election as much as in the first case, so legislators would not hesitate to take their chances of making fortunes by corrupt means. Lack of information to principal or the general public significantly reduces the deterrence against the corrupt dealings of the agent or the political elites. In her later study Rose-Ackerman (1999) once again applied the agency model to analyse the behaviours of the leaders in democratic polities. According to this study three major sources of corruption in democratic societies are: 'the existence of narrowly focused favours available for distribution; the ability of wealthy groups to obtain these benefits legally; and the temporal stability of political alliances' (1999:132).

In order to ascertain the level of corruption within a society Johnston (1997) also employed the agency model. According to him the level of corruption depends on the degree of interaction between the political and economic pressures in society. He holds that 'first, a balance between the accessibility and autonomy of the political elite and second, a balance between wealth and power' are strong determinants of the level of corruption in any society (1997:68). According to his model, an imbalance between

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<sup>80</sup> This question regarding the means of principal to hold the agent accountable for his action is addressed by numerous studies like: Klitgaard, R. 1990. *Tropical Gangsters*. New York: Basic Books; Jain, A.K. 1993. 'Dictatorship, democracies, and debt crisis', in S.P. Riley (ed.), *The Politics of Global Debt*, New York: St. Martin's Press; Kurer, O. 1993. 'Clientelism, Corruption, and the Allocation of Resources', *Public Choice*, Vol.77, No.2: 259-273; Johnston, M. 1997. 'Public Officials, Private Interest, and Sustainable Democracy: When Politics and Corruption Meet', in K. A. Elliot (ed.), *Corruption and the Global Economy*. Washington Dc: Institute of International Economics; Rose-Ackerman, S. 1999. *Corruption and Government: Causes, Consequences and Reform*. Cambridge: Cambridge University Press.

political and economic opportunities germinates four different kinds of corruption: interest group bidding, patronage machines, elite hegemony, and fragmented patronage.

Apart from democratic societies some of the agency models have also studied the dictatorial behaviour with reference to the prevalence and persistence of corruption in such states.<sup>81</sup> According to these models policymakers of dictatorships act like ravaging agents without any consideration for the interest of the principal or the general public, because re-election is not any consideration of autocratic rulers. However, there exists a controversy regarding the validity of this argument, as Bardhan (1997: 1327) has pointed out that ‘elections have become very expensive and to dispense favours in exchange for campaign contributions is a major source of corruption in democratic regimes’; according to him the extent of bribes is smaller in democratic systems as compared to the dictatorial ones ‘due to an externality that each democratic legislator’s vote potentially imposes on every other legislator, when they cannot coordinate their votes to demand a bribe which compensates them for that externality’. Rasmusen and Ramseyer (1994) in their study of rational legislators have modelled this very coordination problem in bribe collection of democratic systems. Theories of scholars who follow agency models have been corroborated by empirical studies like Mauro (1995, 1997) and Tanzi and Davoodi (1997), which have shown results supporting the assertions of this model.<sup>82</sup>

### **3.5.2 Resource Allocation Models**

Resource allocation models are best suitable to analyse bureaucratic and petty corruption. These models view corruption as a cost within a demand and supply framework, which affects the whole economy by influencing the inputs and outputs of the system. The application of these models is particularly valid for rent-seeking behaviour. Rents according to Robert William (1999:507) ‘are defined in economics as returns in excess of a resource owner’s opportunity cost’; while elaborating the rent seeking activity he

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<sup>81</sup> Jain, A.K. 1993. ‘Dictatorship, Democracies, and Debt Crisis’, in S.P. Riley (ed.), *The Politics of Global Debt*, New York: St. Martin’s Press; 1990. Klitgaard, R. 1990. *Tropical Gangsters*. New York: Basic Books; Klitgaard, R. 1991. *Adjusting to Reality: Beyond State Versus Market in Economic Development*. San Francisco, California: ICS Press and International Center for Economic Growth;

<sup>82</sup> The result of such studies have been explained in chapter 2 section 2.3.2.1

asserts that rent seeking as an economic concept is driven on the assumption that human beings are basically driven by self-interest, which they strive to maximise. But the major draw back of this approach is that it does not provide any means to discriminate between corrupt and non-corrupt modes of maximisation of self-interest. We need to have a concept of public office and the norms associated with it to be able to make this distinction.

Krueger (1974) was the first one to apply such a model on rent seeking behaviour, on the premise that rent seeking is also a kind of economic activity for which firms allocate a decent share of their budget. According to him a process of competitive bidding among the rent seekers, could result in the complete evaporation of rent. Discussing the astonishingly small magnitude of bribes in relation to the rent, which is supposed to be accrued for the briber, Bardhan (1997) has pointed out the same coordination problem among the legislators. Various studies have also applied resource allocation models to the intra-bureaucratic struggles for maximisation of their budgets.<sup>83</sup>

Each model reaches to the same conclusion that ‘the extent of aggregate rent seeking, and hence the total social cost of seeking rent, is determined by the rent available to capture... and the number of players in the game’ (Paul and Wilhite, 1994:110). Further studies have analysed the impact of rent-seeking behaviour on the market structures and suggest that rent seeking might influence the market equilibrium by affecting the cost of resources.<sup>84</sup>

### **3.5.3 Demand and Supply Model**

Shleifer and Vishny (1993) in their interesting study of corruption from an economic perspective consider the principal-agent problem as given, and then focus on the consequences of corruption for resource allocation. They present two basic premises about corruption; first, that the level of corruption depends mostly on the structures of government institutions and political process, and secondly, the surreptitiousness and the

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<sup>83</sup> Among such studies are: Faith, R.L. 1980. ‘Rent-seeking Aspects of Bureaucratic Competition’, in Buchanan et al. (ed.), *Toward a Theory of Rent Seeking Society*, Texas: A&M University Press; Katz, E. And Rosenberg, J. 1994. ‘Rent-seeking for Budgetary Allocation: Preliminary Results for 20 Countries’, *Public Choice*, Vol.60: 133-144

<sup>84</sup> Zhou, H.1995. ‘Rent-seeking and Market Competition’, *Public Choice*, Vol.82 (3-4): 225-241

illegality of corruption amplify the distortionary effects of corruption and make it much more expensive than taxation. They further elaborate these premises according to the implications of how a corruption network is organised and why this organised corruption seems much more deleterious than taxation.

The authors developed a model of petty corruption, which was first proposed by Rose-Ackerman in 1978 considering demand, supply and cost of corruption (Jain 2001:88). The basic model assumes that the official, who has the monopoly over the supply of a good, sells it on behalf of the government. Calculating the marginal cost for the official for providing these goods, the authors suggest two possible scenarios: one without theft and other with theft. According to the former case the official deposits the official price in the government account and collects bribes beyond that official price. For example in land revenue departments, officials submit the governmental tax in the treasury, but charge extra amount from the client, apart from that tax, for provision of any service. An example of corruption with theft would be the customs office, which normally takes the bribes and let the imported items go through without levying any customs duty. The first scenario always increases the total price of the supplied goods or services. While the second case might decrease it, making corruption with theft more profitable for both the corrupter and the corrupted, creating a symbiotic relationship between the two, thus minimising the chances of detection by reducing the incentive for the buyer to inform on the corrupt official.

In a competitive market buyers indulging in corruption with theft will surely be better off, resultantly competition between the buyers assures the spread of corruption with theft or cost reducing corruption. The authors suggest increasing the cost of corruption for buyers by reducing the possibilities of corruption with theft through strict monitoring and accounting measures. Subsequently, the only available option of corruption without theft will increase the cost for the buyer and actuate him to divulge such deals and officials.

Delineating the structures of corruption networks the authors offered three models: first, where a unified monopoly provides all the goods; second, where monopoly suppliers of different goods act independently; and the third, where there is competition among the government suppliers for provision of goods and services. The level of corruption is lowest in the third case, medium in the first and highest in the second case. In the first

case a unified monopoly will keep the level of bribes to optimal, because of a centralised and unanimously agreed corruption pattern and network (e.g. Marco's Philippines or old Communist Russia where a unified command had the monopoly over bribe extraction). While in the second case the supplier would not have any such consideration and every supplier will strive for maximisation of his share resulting in highest amount of total bribes (e.g., Africa, India and post-Communist Russia, where every one is free to collect as much bribe as possible without any central control or authority for regulating the amounts of bribes). In the third case competition between the various providers will bring the level of corruption or bribes down to zero (e.g. US passport office: since a citizen can get the service from any city or state, he could avoid the city office, which is demanding bribes and can refer to any other office; a corrupt official who wants to be competitive is unlikely to risk loosing his clients.)

Resultantly 'competition is the best; joint monopoly is the second best; and independent monopoly is the worst for efficiency' (Shleifer and Vishny 1993: 608). The authors have concluded that introduction of competition among government suppliers for the provision of similar goods is the best mode for reducing corruption without theft, but this competition could trigger an increase in corruption with theft. Finally, the best policy would be to introduce competition while strictly monitoring for theft.

### **3.5.4 Miscellaneous Models of Corruption**

Apart from the above-explained well-known models there are various other models, each analysing corruption from a different perspective. Andvig and Moene (1990) forward one such model, according to which, in case of being caught, associated penalties for corruption decrease with the increase in the number of corrupt officials, since it is much safer to be caught by a corrupt superior than an honest one. On the other hand, the bribers' demand for corrupt services decreases with the increase in the size of the bribes and with the decrease in the ratio of corrupt officials. This model establishes a direct relationship between the dividends of corruption and its rate of incidence and explains how impermanent changes in the pattern of corruption may contribute to a permanent shift in the prevalence of the phenomenon

Raaj Sah (1988) forwards another interesting model of corruption based on the accumulated experiences of generations. According to this model both bureaucrats and citizens assess for themselves a subjective probability distribution, telling them the likelihood of meeting a corrupt partner in any given transaction. Corrupt individuals would prefer encountering a corrupt counterpart and vice versa. For every corrupt encounter the actors increase the subjective probability of meeting corrupt counterparts in the next interaction, and might not hesitate from initiating a corrupt act themselves. This way one's past experience of the economic surrounding helps in building one's belief about the nature of the environment and ultimately leads to the conservation of a culture of corruption. According to the author this is the way in which a steady state of economy is influenced by the history of the preceding economic life. However, author admits that there can be instances where the beliefs about the prevalence of corruption might not be in congruence with the actual incidence of corruption.

Another very interesting generations-framework, focusing on past and future, is proposed by Tirole (1996), who is of the opinion that collective bad reputation of the preceding generations could be a partial cause for the persistence of corruption in any given society. Collective bad reputations are the stigmas, which are bequeathed to the new generations, which will find little incentive in being honest. This model studies the dynamics of individual and collective reputations and shows 'that new members of an organisation may suffer from an original sin of their elders long after they are gone' (1996:1). This implies that an upward surge in corruption could have lasting effects on the socio-economic life of the group or society, because damaged collective reputation is very hard to repair or rebuild. Secondly, a one-shot reduction in corruption and a stringent anti-corruption campaign might also not show any enduring effects, as 'trust takes several periods to re-establish, after which the group's reputation returns progressively to the good-reputation level' (1996:18). It may take an uninterrupted period of several years, of less or no corruption, to return to an established and enduring phase of low corruption.

### **3.6 Measuring Corruption**

Among the various considerations associated with any serious academic inquiry regarding corruption, are the questions of what exactly corruption is, and how it can be

measured. Definitional intricacies already discussed, leaves us with the problem of a reliable measurement of the phenomenon. Inherent surreptitiousness and clandestine nature of the phenomenon renders the task of quantitative measurement of corruption excessively demanding. A researcher has to quantify a phenomenon, which the agent, who knows most about it, desires to be left obscure, equivocal and veiled. This furtiveness is one of the primary reasons for early lack of academic interest in corruption as a researchable topic. Notwithstanding these complexities, there have been repeated attempts, though more for commercial gains than the academic value, to ascertain the extent of corruption in different parts of the world. These attempts, in shape of country-risk datasets, are mostly undertaken by profit organisations to provide information to multi-nationals corporations, international banks, and institutional investors. The current body of empirical research about corruption is by and large based on such datasets.

The noteworthy factor about the available data on corruption is that, owing to abovementioned difficulties, all this data is perception based. Commercial firms, non-governmental organisations or international agencies like the World Bank collect data, regarding the prevalence of corruption in a certain country, through surveys and interviews, based on the perceptions of foreign or local investors and business people, country experts, local elites or to a very limited extent the general public. It is believed in the academic circles that this perception-based data, to a certain extent, represents the true level of corruption in any country. The founder of the Corruption Perception Index, Dr. Lambsdorff is of the view that ‘the data on corruption are thus based on subjective perceptions and expertise, but considered to be good indicators of real levels of corruption’ (2005:1). In the coming lines we will briefly discuss some of the more important ones of these datasets.

### **3.6.1 Business International (BI) Data**

The very first such data was collected by Business International which is now a subsidiary of Economic Intelligence Unit. BI published a number of ratings on several countries. The assessment of the level of corruption in the country was one of the criteria of those ratings. This data covers 68 countries for a period 1980-83. Corruption measure in this dataset is quite general and based on the opinions of the correspondents



of the firm, stationed in the countries under assessment. The correspondents had to grade the level of corruption in their country on a scale to 10, while assessing ‘the degree to which business transactions involve corrupt payments’ (Ades and Di Tella 1997:498). A similar methodology was employed by all the correspondents, to ensure the accuracy and comparability, factor assessment reports were further scrutinised at regional as well as headquarter level. Some of the major empirical studies of corruption have employed this data; among these are the well-known studies of Mauro (1995) and Tanzi and Davoodi (1997).

### **3.6.2 World Competitiveness Report (WCR)**

This report is a business publication of the World Economic Forum (WEF), Switzerland, and consists of a large attitudinal survey (known as Executive Opinion Survey) of the top and middle level managers of the dynamic firms in the countries covered under this report. Since 1989 the surveys, covering minimum 32 countries and almost a thousand executives, have incorporated a question about corruption. In 2005 a total of 10993 responses were received and a cross-country ranking for 117 countries was published including a number of developed countries (Knack 2006:7). The WCR data measure variables on a low scale of 1 to high scale of 7. The measure related with corruption is a small part of this attitudinal survey and asks about ‘the degree to which improper practices (like corruption) prevail in the public sphere’ (Ades and Di Tella 1997:498). Accuracy and suitability of this data for academic research, especially in cross-section studies, is seriously undermined by the apparent lack of a centralised office to check and consolidate the answers. However, according to Ades and Di Tella (1997), an advantage of this data over the BI data is the respondents’ intimate knowledge of the business practices prevalent in the country under assessment.

### **3.6.3 Impulse Data**

Not very well known, this data was collected by a German publication Impulse in 1994 and covers 103 countries. This data is based on surveys of German businessmen, who were doing business with the countries under investigation or assessment. On average 10

businessmen were surveyed for each country, and the minimum acceptable limit was three interviews. According to Jain (2001), no one else has used this data for empirical research except Ades and Di Tella, who name important advantages of this data as: less subjectivity involved, because respondents had to just give an estimate of the kickbacks per deal in each country; and the quantitative nature of the question answered by a homogeneous set of respondents having a practical business experience in each country covered under the survey.

#### **3.6.4 Political Risk Services Incorporation**

This is an annually updated index published in the International Country Risk Guide (ICRG), and sold to potential investors all over the world. For the period 1982-95 ICRG data is available for 42 to 95 countries. ICRG data is updated monthly, and in March 2005 it rated 140 countries. ICRG index assess the level of corruption through informed observers in shape of foreign investors and quantify the incidence of corruption on a scale from 0 (corruption free) to 6 (most corrupt). According to this index a higher level of corruption means that 'high government officials are likely to demand special payments' and 'legal payments are generally expected throughout lower levels of government' in forms of 'bribes connected with import and export licenses, exchange controls, tax assessment, police protection or loans' (Tanzi 2000:159). But there is certain scepticism about the results of the ICRG among researchers, because this measure does not depict corruption itself but the political instability, which increases with corruption (Lambsdorff 2005:2). This index has been used by various empirical studies of corruption, including Knack and Keefer (1995) and Tanzi and Davoodi (1997).

#### **3.6.5 Political and Economic Risk Consultancy (PERC)**

PERC is a Honk Kong based consultancy firm specialising in strategic business information for companies doing business in countries of East and Southeast Asia. PERC produces a number of risk reports on a number of socio-political variables like labour quality, intellectual property rights and corruption. The firm has published estimates of corruption in 12 countries of the region since 1993 through a collection of survey results

based on the interviews of the 100 regional managers of the banks and multinational companies operating in the countries under report. Lancaster and Montinola (1997) have also provided some details of this measure of corruption.

### **3.6.6 Corruption Perception Index (CPI)**

CPI is a composite index (a poll of polls) based on multiple indices, usually more than ten, published annually since 1995 by Transparency International (TI), a Berlin based non-government organisation (NGO) devoted to fighting corruption on global level. Latest empirical studies of corruption very often employ Transparency International's data. CPI is probably the most well-known corruption index both in academic as well as non-academic debates and the most quoted measure of global corruption in international media. The latest CPI of 2008 covers 180 countries and is based on data from 14 different surveys of different business people and assessments by country analysts from 12 independent institutions. One important aspect about this year's data is that all the sources employ a homogenous definition of the 'extent of corruption'. CPI ranks countries in terms of prevalence of corruption among public officials and politicians and reflects the views of business people and analysts around the world including those experts living in the countries evaluated. CPI methodology is reviewed by an Index Advisory Committee consisting of leading experts in the fields of econometrics, corruption and statistics.

Since each source uses its own scaling system, standardisation of the information is a crucial step in the formulation of CPI. The experts at TI are doing this in two steps. At the first step sources are standardised using matching percentiles of ranks and not of scores; after achieving standardised values within the reporting range (i.e. from 1 most to 10 least corrupt) a simple average from these standardised values is calculated. To avoid the elements of heterogeneity among the various sources, a more complicated standardisation, i.e., a beta-transformation is used at the second stage.<sup>85</sup> (Lambsdorff 2007:8).

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<sup>85</sup> Every year with the publication of new CPI, Transparency International issues the methodology document, which explains in detail, all the issues involve in the collection, compilation, and analysis of the data, obtained from different sources. For the latest index of 2007 this methodology document could be seen at the URL: [http://www.icgg.org/downloads/CPI\\_2007\\_Methodology.pdf](http://www.icgg.org/downloads/CPI_2007_Methodology.pdf)

At least three different sources of observation, i.e., information or scores from at least three sub indices should be available for inclusion of a country in the CPI. The reliability of CPI is attributed to the high degree of inter-correlation between the sub indices of which CPI is constructed. For the latest CPI of 2007 these correlations are reported 0.77 at average (Lambsdorff 2007:9). The bias germinating from shared rumours or special experiences of the expatriates is not considered very serious as the sub indices, based on the information obtained from locals as well as expatriates or foreign experts, show a higher inter-correlation. Moreover, the high inter-correlations exist independently of the different ways the questions that are phrased in various sub surveys. (Andvig 2000:11). However, the World Bank researchers have shown considerable doubt about the authenticity and reliability of CPI and have developed their own 'Control of Corruption Index'.<sup>86</sup>

After the establishment of CPI as a valid index indicating the perception regarding the prevalence of corruption, Transparency International has also launched Bribe Payer's Index (BPI) and Global Corruption Barometer (GCB). While the former focuses on the 'supply side of corruption' by measuring the predilection of the firms from leading exporting countries to indulge in corrupt practices abroad, the later is more concentrated on the attitude and experiences of the general public towards corruption in their countries.

### **3.6.7 Control of Corruption Index (CCI)**

A team of World Bank researchers, consisting of Daniel Kaufmann, Aart Kraay, and Pablo Zoido-Lobaton developed the CCI-index in 1999 to replace the Johann Graf Lambsdorff CPI published by TI. CCI is a composite index based on an even larger number of indices than the CPI, also incorporating the works of reliable commercial country risk assessment organisations and NGOs. Further aspects of public governance that are highly correlated with corruption have expanded the list of indices. CCI has created an aggregate measure combining the three elements of governance: probity, bureaucratic quality and the rule of law. As corruption is a concomitant of governance the research on corruption can be extended to the concept of governance (Jain 2001:76).

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<sup>86</sup> For detailed view of the criticism please refer to Kaufman (1998), Johnston (2000) and Knack (2006).

While using the same sources as CPI, noting their strong inter-correlation, and employing the same standardising techniques, CCI employs a different weighting procedure, where the indices with a lower degree of inter-correlation and higher degree of variance receive lower weights. CCI employs no restriction such as minimum three numbers of sources for every country for inclusion in the index. CCI also tries to improve on the statistical uncertainties in the CPI by computing a standard error as an indicator of uncertainty with each estimated point; unlike CPI, which provides the range and standard deviation among the sources. However, researchers have certain apprehensions regarding the validity of composite indices in general as an authentic representative of the level of corruption in any country.<sup>87</sup>

### **3.7 Conclusion**

In this chapter we analysed various definitions of corruption and their evolution; characteristics, types and modes of corruption; various models of corruption, measuring techniques and tools employed for that purpose. We saw that definitions of corruption have been divided into three groups: public office oriented, public interest oriented and market based groups, but despite almost a century long debate about the issue, there is still no universally accepted definition of the term. However, in the current academic circles most widely employed definition is, ‘the abuse of public office for private gain’, which is probably derived from the Joseph P. Senturia’s definition of 1930s. We have also employed the same definition in this work, because of multiple reasons: first, the subject of this research specifically deals with bureaucratic or executive corruption in transitional societies, so employing a definition which concentrates on the use of public office is very much logical; second, to make this research compatible and comparable with the ongoing investigations in the field of political science, public administration and economics, it is imperative to use the similar yard stick which is employed by other works; thirdly, as this research is based on the perceptions of public servants – an important novelty of this research – using a definition which targets the same group is likely to yield more dividends than any other choice.

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<sup>87</sup> For a detailed discussion on the issue of measuring corruption please see Knack (2006).

Besides the definitional debate, we have shown how the concept of public office has evolved over the centuries from the times of pre-modern, pre-bureaucratic, patrimonial domination to the present days of highly complex, structured and regularised bureaucracy. We have also discussed various characteristics, which on one hand are required to render any transaction corrupt and on the other hand distinguish corruption from general criminal behaviour, fraud, maladministration, or inefficiency. We have forwarded the claim that corruption can take place without a second party being a part of the transaction. Discussing the four possible modes of corruption: bribery, extortions, nepotism, and kickbacks, we have seen the utility of different modes for different kinds of corruption.

Three broader categories of public corruption: political, bureaucratic, and judicial, have also been dilated upon in this chapter. We have deviated slightly from the popular classifications of corruption, according to which political and legislative corruption are dealt as two separate kinds of corruption along with bureaucratic corruption, while judicial corruption is considered a part of bureaucratic corruption. We have based our categorisation of corruption on the three basic pillars of the state: executive, legislative and judiciary, arguing that aberration in the behaviour of any of these arms of the state results in shape of corruption. As in Aristotelian tradition perverted forms of monarchy, aristocracy, and constitutional republic, result respectively in tyranny, oligarchy, and democracy, (it should be noted that by democracy Aristotle does not mean the present democracy we know, he rather implies the government by the poor only); similarly, the perversion of these three pillars of state results respectively in bureaucratic corruption, political corruption and judicial corruption.

However, political corruption can further be divided into ministerial and legislative corruption; the former deals with the function of politicians allocating resources, while the latter explains the behaviour of a political elite in terms of electoral vote buying from constituencies and legislative vote selling to industrialists, big business concerns and pressure groups.

Among the various models of corruption presented by different scholars are: agency models, resource allocation models, demand and supply models, and the general models of corruption related to accumulated experiences of generation and the collective bad

reputations of institutions or nations. We also saw that agency models are mostly employed for analysing grand corruption or the ministerial or legislative corruption, while the resource allocation models are usually used for evaluating petty or bureaucratic corruption. The demand and supply model can also be employed to explain petty corruption along with the description of corrupt networks; while the other discussed models are more concerned with the overall prevalence and persistence of corruption in any given society.

Lastly we have seen that, despite associated obvious difficulties, efforts are being made since the late 1980s to measure corruption. Though generally motivated by commercial and business concerns, yet these efforts have significantly contributed to the evolution of empirical research on corruption. We have also briefly discussed: the various organisations trying to measure corruption, the developed indices, and the methodology used by each of these indices of corruption. We have seen that Transparency International's Corruption Perception Index, which is a composite index, based on multiple sources, is at the moment the most well known and extensively quoted index of corruption. CPI is not only an extensively quoted measure in the media but also in the current academic research on corruption.

Prior to this chapter we had developed an institutional theory and model for controlling corruption in the developing world; and had in detail analysed the progression of academic research on corruption with a focus on the debate about the functionality or dis-functionality of corruption. In this chapter we have thoroughly analysed various connotations of corruption, the specific characteristic of this ancient and universal phenomenon, and channels of social and economic interaction through which it works. We have also described the basic types of corruption and its modus operandi; and how it can be modelled for theoretical understanding of the phenomenon, and how and with what tools attempts can be made to quantify its degree or level in a given society.

The above information was necessary to understand the coming chapters dealing with the historical narrative of corruption in Pakistan; perceptions of public agents regarding the prevalence and causes of corruption in Pakistani bureaucracy; and the perceptions of agents regarding effective means to control corruption. The next chapter provides an overview of the conditions in Pakistan as a representative of a transitional society and a

developing state. We will trace how various types, modes, and categories of corruption, discussed in this chapter, have operated in case of the post-colonial society of this newly born state. We will also try to ascertain the impact widespread corruption has made on the socio-political development of the state; moreover, we will discuss the peculiar conditions prevailing in Pakistan, which helped in the evolution of unabated corruption, as of today, and the simultaneous decay of governance.



## **Chapter 4**

### **Corruption in Pakistan**

Why civil-military bureaucracy has overwhelmingly dominated the vicissitudes of Pakistan's political history, and how this development has contributed to the unabated spread of corruption, are the fundamental questions coming chapter will be dealing with. In this chapter we will analyse the conditions in Pakistan as an exemplar of a post-colonial developing state with a quintessentially traditional society on the arduous path of transition. Facilitating the understanding of the phenomenon in the region, the genesis of corruption is traced back to the times of ancient India. Bearing in mind that corruption in post-colonial states was generally ensconced in the pre-independence settings. It is imperative, for a true understanding of the development of corruption in such states, to explore the colonial heritage of corruption in the region. Considering this, the coming chapter will analyse the emergence of corruption in the British India especially in the back drop of World War II.

This chapter will further investigate the socio-political conditions at the time of partition and how they contributed to the development of a culture of corruption and malpractices in the country. The chapter will also explain how the trilogy of bureaucracy, military and the feudal aristocracy have contributed to the spread of various modes and forms of corruption. The chapter will further analyse the corruption of various civil-military governments starting from 1947 to 2008 and the impact these practices had on the state society relationship. An analysis of why different regimes repeatedly opted for individualistic policies instead of collective ones; and how this has contributed to the development of an ethos of corruption and inefficiency, will also be a part of this narrative. This chapter will also briefly dwell on the issue of the lip service paid by various governments regarding the reduction of bureaucratic corruption, and the largely unsuccessful measures taken by various administrations for arresting the spread of this disease. The chapter will analyse evolution, progress and the current extent of the problem, which is vital for understanding the coming two chapters that deal with the institutional perceptions regarding the causes and control of corruption in a developing country like Pakistan.

## 4.1 A Paradox of Growth and Corruption

Over the years, corruption has grown into a deleterious and ubiquitous tumour, but its extreme malignant manifestations are found mostly in so-called third world or developing states and Pakistan unfortunately epitomises such states. Pakistan is generally referred in this study as it exists today; since socio-political development trajectory of Bangladesh does not transcend the same progression in Pakistan therefore, rendering the need to treat pre and post 1971 histories differently as superfluous. Historical description of pre 1971 era, in this chapter, may be treated as concerning the present day state of Pakistan, which was born with a congenital deformity; as the cancer of corruption started to spread with the refugee's settlement scams in 1947.

Since then corruption is the only field, apart from the defence budget and population, which has shown a consistent upward surge. Pakistan touched the nadir of the transparency standards in 1996, during the second term of Benazir Bhutto, when Transparency International, rated Pakistan as the second most corrupt country in the world with a Corruption Perception Index (CPI) score of one.<sup>88</sup> According to the latest Index released in October 2008, Pakistan is still at 134<sup>th</sup> position among the list of least corrupt countries with a CPI score of 2.5. Despite a much-publicised anti-corruption campaign by the military government of General Musharraf, Pakistan has still lost 0.2 and 0.1 points on the CPI when compared with the indices of 1998 and 2002 respectively. The unprecedented decay of governance, fostered by religious militancy and concomitant worsening of law and order situation, coupled with an abysmal CPI score, as shown in table 5, is indicative of a further deteriorating image of the country from domestic as well as international investment point of view. Pakistan is the 46<sup>th</sup> most corrupt country among the 180 surveyed countries of the world, while at the same time Bhutan, India and Sri Lanka are 135<sup>th</sup>, 95<sup>th</sup>, and 88<sup>th</sup> corrupt countries respectively (Transparency International CPI 2008).

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<sup>88</sup> Corruption Perception Index, as already explained in chapter 3, is a composite index measured on a scale of 1 to 10, means the higher the CPI score the lesser the perception of corruption in a country. Score of 1 indicates most corruption in a country, and 10 is indicative of completely clean country. For further details about the CPI refer to chapter 3, or visit Transparency International web site at the address: [http://www.transparency.org/policy\\_research/surveys\\_indices/cpi](http://www.transparency.org/policy_research/surveys_indices/cpi)

**Table 5 Corruption Perception Index of South Asia**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Bangladesh				0.4	1.2	1.3	1.5	1.7	2.0	2.0	2.1
Pakistan	2.7	2.2		2.3	2.6	2.5	2.1	2.1	2.2	2.4	2.5
Nepal							2.8	2.5	2.5	2.5	2.7
Sri Lanka					3.7	3.4	3.5	3.2	3.1	3.2	3.2
India	2.9	2.9	2.8	2.7	2.7	2.8	2.8	2.9	3.3	3.5	3.4
Bhutan									6.0	5.0	5.2
Maldives										3.3	2.8

Source: [http://www.transparency.org/policy\\_research/surveys\\_indices/](http://www.transparency.org/policy_research/surveys_indices/)

Corruption is institutional, endemic, all pervasive, and deeply entrenched in Pakistani society. Successively, four elected democratic governments in 1990s were thrown out of office, *inter alia*, on the charges of corruption and corrupt practices. A survey of five South Asian states conducted in 1999 rated Pakistan as worst case in terms of prevalent corruption of politicians, law enforcement agencies and judiciary indicating that all the three organs of state; legislature, executive and judiciary, are most corrupt in the region. Transparency International's countrywide survey of 2002 revealed the police, power supplies and revenue collection as the three most corrupt institutions in the country (Mitra et al. 2006:304).

Corruption, though existing in all societies, varies in its rate of incidence in different societies, cultures, and times of history (Huntington 1968: 61). Incidentally, in Pakistani society, corruption is much prevalent and its incidence has grown considerably in the last three decades. Though a less developed and very corrupt state, Pakistan, if considered from the governance perspective, is an intriguing paradox, which makes its case worth further investigation. Pakistan has well-educated and prosperous elites, small business owners in industrial economies, skilled labour employed in the gulf states and high ranking officials in international organisations. According to a World Bank study, until 2000 Pakistan has benefited from \$58 billion foreign development assistance, 22 adjustment loans, and lucrative Cold War and anti-terrorism alliances with the US (Easterly 2001: 2). With an average per capita growth per year of 2.2 per cent from 1950 to 1999, Pakistan was never lagging behind in growth but still one can safely assume to

find its name towards the bottom of Human Development Index, Corruption Perception Index and any similar indices.

While analysing the economic prospects of the country, Cohen (2004) has remarked that Pakistan's economy is one of the great contrasts. It has grown on average at a spectacular rate of 6 per cent per year, but still the country is deeply indebted, lacks any significant manufacturing capacity, is agriculturally backward when placed with comparable regions, and suffers from a severe energy deficit. This paradoxical state of economy could be attributed to a number of factors including: the lingering effects, of Zulfikar Ali Bhutto's nationalisation program of the 1970s; piling up of domestic debt under Zia ul-Haq in the 1980s, and widespread corruption and irresponsible spending in the 1990s' decade of democracy (2004:249). Nevertheless, despite all the inherent limitations, with systematic policy making and proper implementation (meaning through good governance) Pakistan had the potential to become a middle-income country from a low-income in the 1980s (Burki and Robert 1984: 3). However, this dream did not come true and one of the major reasons for this imbroglio is, *inter alia*, persistent, entrenched and systemic corruption.

## **4.2 Historical Evolution of Corruption in the Sub-continent**

Corruption in the Indian sub-continent is as old as in any other part of the world. Earliest accounts of this phenomenon are found in Kautilya's *Arthashastra*: a brilliant treatise on the art of statecraft in which the author has described an amazingly modern account of different forms and manifestations of corruption. According to this fourth century B.C., Indian statesman, there are about forty ways of embezzlement and corruption: 'What is realised earlier is entered later on; what is realised later is entered earlier; what ought to be realised is not realised;...what is collected is shown as not collected; what is collected is of one sort, while what is entered is of another sort; what is realised from one source is shown as realised from another; what is payable is not paid; what is not payable is paid; not paid in time; paid untimely; small gift made large gifts: the real donee is one while the person entered as donee is another; what has been taken into (the treasury) is removed while what has not been credited to it is shown as credited;... commodities of greater

value are bartered for those of small value; what is of smaller value is bartered for one of greater value; prices of commodities enhances;... inconsistency of transactions carried on with personal supervision; misrepresentation of the sources of income;... making use of false weights and measures;...' (Shamasastri 1960:66-67). Apart from these open manifestations of mala fide intent on the part of public office holders, there has always been a discreet culture of offering gifts to the state functionaries and the rulers, in the name of customs and traditional values. Mukherjee (2006:79) while narrating the corruption milieu of India in the seventh century has described these gifts as *shukrana* (thanksgiving) and *jabrana* (levies), while the beneficiaries expected to receive *dastoor* (customary gifts), *mamool* (present in cash or kind) and *hafta* (weekly levies).

Many scholars believe that the moral decay of ancient Indian kings was slower than of their Roman counterparts mainly due to the emphasis on the concept of *raja-dharma* (religious duty of righteousness imposed on the king) in ancient India. However, some other scholars propose that 'it would be naïve to assume that the ancient Hindu civilisation was free from this malaise, and unhistorical to propound, as some scholars have tended to do, that the strong spirituality of Hindu philosophy succeeded in stopping the rot through its non-materialistic attitude to life' (Mukherjee 2006:77). However, gradual moral degeneration of the Indian rulers resulted in a corresponding decline in their authority; which was exploited by the subsequent invaders like Huns, Mongols, and Mughals (Ibid: 79). Muslim rule in India was also marked with a similar process, starting from moral uprightness and higher values of the early rulers to the ethical decadence and moral debauchery of the later Mughals, which was aptly exploited by the British East India Company.

#### **4.2.1 Colonial Heritage of Corruption**

Although the early part of British rule in India was blemished by incidents of wide spread corruption and corrupt practices<sup>89</sup>, yet in the later years the British succeeded in establishing a government and civil service which was competent, efficient, and relatively free from corrupt practices. Corruption, until the start of World War II, was

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<sup>89</sup> Even some of the early rulers of British India like Robert Clive and Warren Hastings had to face impeachment on their return to England on charges of corruption and maladministration.

found in the lower level public officials, while the higher echelons of public administration remained comparatively free from this malevolence. However, with the start of war, the probity standards of the British colonial administration plunged to an unprecedented low level. Emergencies of war forced the British to delegation of powers, relaxation of rules and injection of huge resources into procurement of war supplies without due consideration of accountability and transparency. This resulted in wide spread corruption not only among the contractors, suppliers, and low-level public officials, but also among the highest levels of administration (Ibid: 81). Certain regulatory measures like: licenses, permits and rationing of commodities, adopted during the war times, further aggravated the situation and reduced the public aversion towards corruption. These regulatory measures, coupled with the wartime's scarcity, provided abundant opportunities and incentives for bribery and favouritism. Referring to the impact of WWII on the colonial administration, the Santhanam Committee Report has observed, 'it would not be far wrong to say that the high water-mark of corruption was reached in India as perhaps in other countries also, during the period of Second World War' (Santhanam Committee Report 1964:11). Such eruption of a corruption volcano forced the British in 1941 to establish an investigative organisation on emergency basis, called Delhi Special Police Establishment, to detect corruption among the public servants dealing with war procurements.

Apart from the emergencies of WWII, some of the scholars have openly questioned the impact of colonial rule on the post-colonial probity standards of the states.<sup>90</sup> They are of the view that the very core of colonial policy was based on deceit, and exploitation, which cannot take place without corruption. Not to take anything away from the avarice of public servants, lack of integrity, soft norms, ill devised policies, and half hearted implementation of the post-colonial states, the roots of such wide spread corruption in states like India and Pakistan, can also be traced back to the policies of the colonial era. The self-righteous colonial masters, basking in the warm suns of their colonies, introduced policies, which had more long lasting and varied effects than they might have

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<sup>90</sup> For multiple examples of this line of argument, please see Monteiro, John B. 1966. *Corruption: Control of Maladministration*. Bombay: Manaktalas ; Wraith, Ronald and Edgar Simpkins.1963. *Corruption in Developing Countries*. London: George Allen & Unwin Ltd; and May, R.J. and Ray, Binayak. (eds.) 2006. *Corruption, Governance and Democracy in South Asia*. Kolkata: Towards Freedom.

anticipated at that time. Wraith and Simpkins (1963), while elucidating the relationship of colonial policies to the prevalent corruption of the newly independent states of Asia and Africa, have analysed the impact of the transfer of British local government and administrative system to the British colonies in these words:

...supposing in their blindness that plant which has only been known to flourish in the temperate, misty and kindly atmosphere of England and Wales could be transplanted to the harsh, exotic climate of African tropics... The adoption of British local government, with ultimate power in the hands of elected councillors, but short of restraints of British convention, compromise and mutual respect between elected representative and paid officials has amounted to an open invitation to corruption, an invitation eagerly if incredulously accepted.

(Wraith and Simpkins 1963:19&20)

Considering the very basis of their rule, the apathy of the colonial rulers towards the issue of corruption is understandable, but the antipathy of local ruling class towards the standards of probity and rational decision-making in terms of collective good is hard to explain.

### **4.3 Decade of Autonomous Corruption 1947-58**

Corruption in India attracted more attention from both domestic intelligentsia as well as international academia<sup>91</sup>. Pakistan was studied mainly from the point of view of a nascent state in the process of the making, facing challenges like: state building, promoting the idea of nationalism, pacifying the ethno-linguistic diversities, and establishment of a centre based federation.

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<sup>91</sup> India is probably the most studied postcolonial state from the point of prevalent corruption. Some of the more prominent of corruption studies on India involve: Committee on Prevention of Corruption (Santhanam Committee). 1964. Report of the Committee on Prevention of Corruption. New Delhi: Ministry of Home Affairs, Government of India; Monteiro, John B. 1966. Corruption: Control of Maladministration. Bombay: Manaktalas; Varma, S.P. 1974. Corruption and Political Development in India', Political Science Review, Vol. 13(1-4): 157-179; Palmier, Leslie. 1985. The Control of Bureaucratic Corruption: Case Studies in Asia. New Delhi: Allied Publishers Pvt. Ltd; Alatas S.H.1999. Corruption and the Destiny of South Asia. Selangor Darul Ehsan: Prentice Hall (M) Sdn. Bhd.

Pakistan's uniqueness as a state-nation<sup>92</sup> instead of a nation-state compelled the domestic as well as international intelligentsia to focus more on the fragility, and the allied economic and security related problems of the newborn state.

After Independence – contrary to somewhat naïve common believes – the situation of bureaucratic corruption, in both India and Pakistan, deteriorated further instead of ameliorating. Both India and Pakistan inherited a bureaucracy, which was self assured, competent and arrogant, as it enjoyed enormous powers under the aegis of the British crown. Bureaucrats were considered, revered and feared as masters by the general public, which was predominantly, illiterate, poor and overawed by the power of their white masters. Incontestable hold of colonial masters over their subjects and the inadequacy of the general masses, heavily contributed to this apotheosis of the bureaucracy, which in turn started to suffer from god syndrome. Political leadership in post partition India managed to relatively tame this wild horse of bureaucracy, mainly due to the presence of a strong and unified political party, like the Congress and the committed and influential leaders, like Ambedkar, Azad, Patel, and Nehru. In contrast to this, bureaucracy in Pakistan continued strolling along the familiar paths of unbridled power, unquestioned authority, and unconditional submission of the subjects. Resultantly, bureaucracy as an institution of the state played a major role in the socio-political and economic life of the country. The major factors leading to this inherently flawed development were: lack of strong political parties, scarcity of committed political leadership – especially in the backdrop of early demise of Jinnah and Liaquat Ali Khan – and the singular status of the bureaucracy as the only relatively developed, professional and organised institution at the time of partition.

Pakistan started on extremely precarious grounds and under a plethora of initial difficulties. The new state inherited: almost an empty exchequer, a poorly equipped army, the Kashmir issue, a weak infrastructure, a largely agrarian economy, hardly any industrial base, and millions of refugees to take care of. Pakistan, had no more than a couple of textile and sugar mills in 1947, and received 1414 out of total 14,677 industrial

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<sup>92</sup> Pakistan shares the experiences of the transitional societies regarding the issue of nation building and the idea of nationality. In industrial world the body of citizens joined together as a nation strived to form a state, for protection and expansion of their rights, generally known as nation-states; while in transitional societies and the post-colonial world, state came first and the idea of belonging to a unified nation among the citizenry, of that state, came later. Thus making them state-nations instead of a nation-states.



enterprises (less than 10 per cent of the total) and 206,100 compared to the total of 3,141,800 of the industrial workers (almost 6.5 per cent) at the time of partition (Rashid 2004:180). Such was the plethora of problems, forcing scholars like Myrdal, to observe that considering the communal strife and the political and economic chaos in which Pakistan was born, the country's mere survival was remarkable (1968:307). The trauma of partition, along with the ever-present threat from a comparatively strong and hostile neighbour, induced a permanent feeling of insecurity among the leaders as well as masses of the country.

Despite all these pressing needs of a newly born state, Muhammad Ali Jinnah, the father of the nation, in his keynote presidential address to the first constituent assembly of Pakistan on 11<sup>th</sup> August 1947, enunciated the foremost responsibilities of the state, listing eradication of widespread corruption as top most priority of the state, second only to the maintenance of law and order. He expressed in most unequivocal terms, the undesirability of phenomena like bribery, corruption and nepotism, to guarantee the smooth working of the state and the welfare of society. In his own words:

...One of the biggest curses from which India is suffering – I do not say that other countries are free from it, but, I think, our condition is much worse – is bribery and corruption. That really is a poison. We must put that down with an iron hand... The next thing that strikes me is this: Here again it is a legacy which has been passed on to us. Along with many other things, good and bad, has arrived this great evil – the evil of nepotism and jobbery. This evil must be crushed relentlessly. I want to make it quite clear that I shall never tolerate any kind of jobbery, nepotism or any influence directly or indirectly brought to bear upon me.

(Rashid 2004: 60-61)

Nevertheless, Jinnah did not live long enough to actively pursue the fulfilment of his ideals in the newly carved state. And until today his topmost priorities - maintenance of law and order and control of corruption – have not been taken care of, jeopardising the very existence of the state. After him, wealthy and influential refugees groups (who had joined the Muslim League not long before partition), along with the landed aristocracy of northern India (which had not played any significant part in the struggle for independence), were the major players of early Pakistani politics. Members of these

classes, or their associates, also occupied strategic positions in civil as well as military bureaucracy (Waseem 1989). As already mentioned, at the time of partition bureaucracy as an institution had comparatively the best-trained professionals, who were educated, efficient, and adept in the Westminster form of administration. This nexus between the bureaucracy, the landed aristocracy and the businessmen proved instrumental in the spread of corruption, and civil servants started to join the ranks of a wealthy class of an otherwise very poor country. Analysing this nexus, former president and first martial law administrator, General Ayub Khan remarks in his autobiography (1967:49) that, ‘the politicians were naturally dependent on permanent services, but more powerful among the services had developed political ambition of their own. Every one seemed to have a group of his own and his sole occupation was to grind his own axe regardless of whether the country was ground to pieces in the process.’

The very *raison d’être* of the Pakistan movement was to avoid the majority dominant rule, after the departure of the Colonialists and to ensure self-government, not any social change. In the words of Humza Alavi (1997), at the very core of the Pakistan movement were the Muslim salaried class of India, who wanted a better share of government jobs, and were afraid of being left behind the Non-Muslims – who were more educated and had privileged positions in the government – in the race for government jobs in case of an undivided independent India. Non-Muslims advocated merit as the fairest criterion, while Muslims demanded quotas. However, it is ironical that after independence when the same Muslim salariat were in privileged positions against the rest of ethnic groups of Pakistan, they started the slogan of meritocracy against the demands of quota, by the less privileged ethnic groups; thus promoting a politics of ethnic rivalry (Alavi 1997:87). This blind race for the government jobs among the various ethnic segments of society promoted nepotism, patronage, and corruption as well as ethnic cleavages and a discrimination syndrome among the left out ethnic groups.

Theoretically, public servants are accountable or answerable indirectly to the public they serve through political elites, who are chosen by the public and can be removed from their position, if they do not perform according to the wishes or expectation of the electorate. In case of early Pakistan, there were multiple missing links in this chain. First, political elites were not chosen by the public they were ruling; second, political elite were

using the public servants as a mean to avoid going through the process of election; third, instead of monitoring and ensuring the transparent working of civil bureaucracy political elite were themselves manipulating and abusing the institution for attainment of their personal ends. Commenting upon the nature of political leadership in early Pakistan, Bhambhri and Nair (1971:31) assert that 'democratically elected representatives, who were to act as guardians of morality and integrity in public administration, themselves started indulging in corruption, nepotism and favouritism of worst kind'. This marriage of convenience between bureaucracy and politicians, unleashed the phantom of bureaucracy, which tasted the forbidden fruit of corruption in the very formative phase of the newly born, malnourished, under weight, and weak state of Pakistan.

But this does not mean that the entire early bureaucracy was corrupt or inefficient, rather contrary to this a considerable number of bureaucrats were very dedicated, honest and hard working civil servants. The bureaucracy as an institution was better trained and held a considerable sense of superiority over the politicians, whom they considered as incompetent, corrupt and power hungry. Commenting on the efficiency of the Pakistani bureaucracy and inefficiency of the politicians, Kennedy (1987:12) maintains that the administrative competence of the civil service was far too ahead of the other political institutions of the new state, which made up for the shortcomings of the political elites. Burki (1993:6) asserts that the early crises in Pakistan, though serious enough to test the administrative capacity of many first world nations, were managed well through efficient use of the competent civil service inherited from the British.

However, this competence of civil bureaucracy was in direct contrast to the corruption and incompetence of the politicians, which reinforced the colonial 'administrative state' bias inherited from the colonial masters (Khan 2007:226). Politics in Pakistan lost early grounds to other two main state institutions: bureaucracy and military. Bureaucracy, specially the Civil Service of Pakistan (CSP) cadre, dominated the political body completely and its over development was directly proportional to the under development of the political institutions in the early phase of Pakistan. Dominance of CSP in the administrative machinery could be ascertained by the fact that by 1964, 89 per cent of federal secretaries, 65 per cent of provincial secretaries, 75 per cent of divisional commissioners, and 51 per cent of district officers, belonged to this cadre (Waseem

1989:176-177). Furthermore, with the creation of the post of secretary-general in 1948 (to look over the departmental heads of all the ministries), the entire government was centralised in a single hand, which firmly established the rule of generalist bureaucracy in the country.

This ascendancy of the bureaucracy over the complete state apparatus resulted in concentration of power in one institution without affective checks and balances, paving the way for: abuse of power, political patronage, and nepotistic corruption. Later on, the military joined the bureaucracy in this equation, however, political institution was always, and still is, on the losing side of this troika. Commenting on the interplay of national, regional and international factors responsible for the underdevelopment of elected institutions in Pakistan, Jalal (1995) maintains that ‘the dominance of the non-elected institutions was a result of a concerted strategy by the higher echelons of the bureaucracy and the military to exploit the rivalries among Pakistani politicians and systematically weaken the political process by manipulating their connections with the centres of the international system in London and Washington’ (1995:54). Even today the non-elected institutions of military and bureaucracy are not only the sole players at the centre stage of Pakistani politics, they also have to share their bounties with the feudal class of political elite as well. In Stephen Cohen’s view (2004:93) ‘Pakistan’s socio economic order... has been dominated by a ‘triad’ composed of army, the bureaucracy, and the feudal landlords. Today this triad is known as Establishment... but powerful body has shifted away from bureaucrats towards the military’.

Corruption in Pakistan started with the refugee’s rehabilitation plans in 1947. The exodus of over 7 million refugees from India to Pakistan put enormous strain on the already fragile economic and administrative set up of the newborn state. Resettlement of these refugees opened a dual way of corruption for the government officials as well as for the rich and influential. On one side, some of these refugees made inaccurate claims regarding their left over properties in India to obtain more than their rightful claim. While on the other side, much of the property of the migrating Hindus (who left for India) fell into the hands of local landlords and wealthy and influential refugee groups, instead of being utilised for the resettlement of deserving refugees.

Both kinds of these corrupt transactions were completed with the connivance and coordination of unscrupulous personnel in the civil bureaucracy and at the expense of hundreds of thousands of poor, homeless, and helpless refugees.<sup>93</sup> Migrants, motivated by the fervour of the Pakistan Movement and the threat of Hindu persecution reached Pakistan, having lost family members, honour and property; they found it, at times, hard to cope with the callousness of the state and society. Resultantly, natural insecurity of the migrants coupled with a decade long rehabilitation process, set forth a culture of corruption in which every individual strived to get hold of whatever he could through whichever means, foul or fair, possible. In the words of Waseem (2002:156), ‘refugees relied on personal relationships based on kinship and ethnic loyalties for getting things done. All this led to a culture of corruption in terms of grabbing jobs and property through personal networking. The obvious casualty was public morality, rule of law, administrative efficiency and official credibility’. But the alarming factor is that the situation has not changed much rather it has grown worse as is evident from the following extract written by one of the female respondents, in answer to an open-ended question, during the survey of civil bureaucracy of Pakistan:

I am a victim of corrupt officers/officials of land revenue and administration who by misusing their powers deprived me from my land after 32 years of ownership by reversing the entries in their record in favour of the land mafia/land grabbers. I knocked on every door for justice i.e., police, high-ups of administration, judiciary, NAB, and also sent applications to President and Prime Minister for redressal of my grievance.

A mid-level female officer of Finance Division, who was working for the government for last 23 years, narrated this story to the author in Islamabad in May 2007; emphasising the power of corruption mafia in Land Revenue department.

The majority of the Muslim League ruling elites belonged to the non-Pakistan areas of colonial India; consequently they had little electoral support in the constituencies, which fell under Pakistan’s territory. These ruling elites were threatened by the idea of

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<sup>93</sup> The level of this kind of corruption could be ascertained by results of a field survey published in the 20th February 1959 Dawn newspaper, and quoted by Myrdal in his Asian Drama (1968:310), stating that out of 5,27,535 “shelterless” people in Karachi, 84% were refugees. It should also be remembered that this was the condition after more than a decade of independence.

parliamentary form of government. Consequently, politics in Pakistan was from the very outset motivated by the desire of self-perpetuating rule instead of any democratic set up, based on the idea of public accountability. When in October 1954, Ghulam Muhammad dismissed the first Constituent Assembly, which was trying to curb some of his executive powers; he accused its members for delaying the constitution making to avoid facing the electorate. Though an inherently false pretence, his action was supported by 'the fact that some of the assembly members were facing corruption charges under the public representative disqualification orders' (Jalal 1995:52). Early politics in Pakistan was according to Myrdal 'characterised by factional manoeuvring, chicanery, coercion and widespread corruption, all of which were so much part of the mores as hardly to need concealing' (1968:319). Political elites often used civil bureaucracy, which was professional, efficient and well trained, for achievements of their personal ends to an extent that bureaucrats-cum-politicians like Ghulam Muhammad and Iskander Mirza had no hesitation to employ government servants to perpetuate their hold on power by making and breaking of political parties. Civil bureaucrats started demanding price for such collusive services, which they often received (Hussain 2002:225). Need for rapid economic activity, as well as industrialisation in the new state provided abundant opportunities for civil bureaucrats to demand illicit fees for issuing approval for establishment of any new industrial unit or any import export license.

Myrdal attributed this professional as well as moral decay, of what initially was an efficient civil bureaucracy, to the prevalent corrupt political milieu of post partition era. According to him:

...this unique position of civil servants occupied in an increasingly corrupt milieu ended to corrupt their own public morals. The extent to which the civil service became part of the wealthy classes in Pakistan was a visible measure of the deterioration of its standards. When, for example, import controls were imposed after 1952, the industrialists' need for a permit often matched the officials' need for a higher income.

(Myrdal 1968:320)

The extent of corruption in public servants can be estimated by the fact that according to the records of the Special Police Establishment, in year 1951-52, of the 1134 persons

proceeded against under the Foreign Exchange Regulations Act and the Hoarding and Black Marketing Act, 735 were government servants (Ahmed 1970:83). Commenting on the state of corruption in the, then, second largest province of Punjab, an inquiry commission in 1951 reported that bribery was widespread in every department of the Punjab administration (Jalal 1991:80).

The majority of the new industrial class in Pakistan consisted of the rich and influential industrialists of India who had migrated to Pakistan from Gujarat, Bombay, and Calcutta. Among some of the more prominent of such business families were: the gold trading Habib family from Gujarat; Ispahanis and Adamjees of Calcutta, pioneers of successful jute industry in India; and the Saigols family from Punjab, whose expertise lay in leather industry. Apart from these major families, a large number of other business families belonging to the traditional trading communities settled in Karachi (Cohen 2004:50). These refugee groups had strong and mutually beneficial connections with the migrant-dominated political elite and top bureaucracy. Consummate ascendancy of refugees in the most powerful institution of bureaucracy can be established by the fact that despite being only 10 per cent of the total population, the refugees claimed almost 60 per cent of the seats in the recruitment for central services of Pakistan in 1951. Later a survey in the early 1960s revealed that 34.5 per cent of public servants were the residents of areas not included in Pakistan before partition in 1947 (Waseem 1989:113).

According to most commentators of Pakistani politics, this nexus between business and ruling class proved vital in the spread of corruption in the country. The constituent assembly voted huge developmental expenditure, which benefited the political as well as the financial supporters of the ruling elite, but never accepted the taxation proposals, which were vital for the economic development of the country. Activities like tax evasion, black marketing, smuggling, and auction of licenses and permits were prevalent and unchecked. According to the Chief Minister of West Pakistan, as quoted by Myrdal, at the eve of martial law in 1958, from top to bottom, there was hardly any person who was not corrupt.<sup>94</sup> Corruption had become almost a way of life in business and all this was openly discussed and deplored by the public (Myrdal 1968: 321-323).

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<sup>94</sup> This statement was published in daily English newspaper, Pakistan Times, August 26, 1958, and quoted by Myrdal in his epic Asian Drama at page 321 Vol. I.

The Government took several steps for arresting the surge of corruption after the partition, which involved the promulgation of the Prevention of Corruption Act, 1947 and the creation of Special Police Establishment.<sup>95</sup> The extent of corruption in early Pakistan can be ascertained by the fact that, by October 1953, over 5000 corruption cases were registered, though a small fraction, 358 and 224, actually resulted in conviction or any departmental punishment respectively (Callard 1957:298). This amounts to almost 1000 registered cases of corruption per year in the first five years of the country's life.

Furthermore, Table 6 comprising of the data supplied by Braibanti (1966:293) in his study of the Pakistani bureaucracy, indicates the extent of corruption in the first decade of Pakistan's existence. A total of 3549 public servants were penalised by the screening Committee of Ayub Khan's martial law regime. Among the penalised ones, 1662 belonged to the central or federal government while, 1887 were working for provincial governments. The distribution of penalties was quite asymmetrical between East and West Pakistan, as 544 public servants belonging to West Pakistan were punished, in some way or the other, in comparison to 1343 officers belonging to East Pakistan. However, the interesting statistical fact remains that the ratio of the harsher penalties (dismissal or removal from service) meted out in West Pakistan were considerably higher than the similar ratio in East wing of the country. As in the western wing out of total 544 penalties 456 were the harsher ones while the same figure for East Pakistan was 314 out of 1304. Another very interesting disharmony was the punishment of compulsory retirement, as in the eastern wing 877 public servants were forced to retire prematurely, while in western Pakistan not a single official was forced to retire this way. However, the milder punishments like displeasure and warning were rendered only to Class I, II, and III officers but there was not a single incident of these in central governments of East and West Pakistan. This disharmony can be attributed to the fact that punishments in central government attract much more media attention and have stronger impact in terms of political value; consequently, the tenor of punishments was much harsher at central level. Such were the conditions at the end of the first decade after the birth of the new state, which ultimately led to the first of the, so far, four military rules of the country.

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<sup>95</sup> For a detailed list of the anti-corruption laws and regulations passed since independence, which proves the Latin proverb, "*Corruptissima re publica plurimae leges*" (when the republic is at most corrupt the laws are most numerous) very true, please refer to the Appendix 3.



**Table 6 Results of Initial Screening in 1959 and 1960 of Central and Provincial Government Servants**

<i>Penalty</i>	<i>Class I</i>	<i>Class II</i>	<i>Class III</i>	<i>Total</i>	<i>W. Pakistan all cases</i>	<i>E. Pakistan all cases</i>	<i>Total</i>
Dismissal	4	14	110	128	214	254	596
Removal	0	0	0	0	242	60	302
Compulsory Retirement	71	68	547	686	0	877	1563
Reduction in Ranks	8	31	163	202	-	-	202
Special Report	25	88	362	475	-	-	475
Increment	2	5	0	7	88	152	247
Reduction							
Warning	27	14	121	162	-	-	162
Displeasure	1	1	0	2	-	-	2
Total	138	221	1303	1662	544	1343	3549

Source: Braibanti, Ralph. 1969. *Research on the Bureaucracy of Pakistan*. Durham: Duke University Press: 293

#### 4.4 The Praetorian Corruption 1958-71

At the completion of first decade of the country, symptoms of an economic paralysis coupled with high inflation, distrust of new industrial class, rampant corruption and alienation in the eastern wing produced a general demoralisation of the public and a cynical mistrust of the political elite (Myrdal 1968: 323). In these perilous circumstances, then president, General Iskander Mirza declared martial law in the country in October 1958. In a statement delineating his reasons for this action, he noted rampant corruption, quest for power among the politicians, food crises and the exploitation of the masses as the primary causes for his action (Cohen 2004:60). General Muhammad Ayub Khan blamed the 'self-seekers who in the garb of political leaders have ravaged the country or tried to barter it away for personal gains' for the existing chaotic conditions (Ahmed 1970: 236). While stating his policy to deal with the current rampage by the corrupt

politicians and bureaucrats, he announced martial law regulations, 'which will tighten up the existing laws on matters like malingering or inefficiency amongst officials, any form of bribery and corruption, hoarding, smuggling or black marketing, or any type of anti-social or anti-state activity' (Ibid: 238). In retrospect of the above-mentioned prevalent conditions in the country it can safely be assumed that such statements were not only rhetorical in nature, forwarded only to justify the military take over, rather they had some degree of credibility. Commenting on reasons of military take over in South Asian states Myrdal, while quoting Tibor Mende, had observed that 'a few years before the military putsch of 1958 in Pakistan, probably no other symptom of Pakistani public life has contributed more to the demoralisation of the common man than corruption. Illicit practices had reached such proportions that their effect is likely to wipe out whatever benefits new economic projects might have secured for him' (Myrdal 1968: 937). Probably this was the reason that the masses in general welcomed the first martial law regime of General Ayub Khan.

However, as we shall see, the institutional culture of corruption, which had developed in the pre- martial law period, proved more tenacious than the common man's desire for a free and just society. The nexus of corruption, which emerged during the first decade, got further strengthened during this second phase as the ruling elite and their close cliques started to acquire important positions in industrial arena through official patronage. In fact, the early establishment of the military government was more of a co-dictatorial setup consisting of a mixture of higher civil-military bureaucracy. Myrdal, while commenting on the level and cost of corruption during Ayub's regime, asserted that 'not long after the coup d'état the incorruptibility of the military junta came into question. It was not so much that speculation, black marketeering, tax evasion and other fraudulent practices had decreased, people were saying, as that the cost of bribery, because of greater danger, had increased' (1968:340).

Nevertheless, in pursuance of its martial law regulations, the military government took steps to purge the public officials of their corrupt behaviour and to reinvigorate them with a sense of discipline and morality. Screening of public officials was instituted for the very purpose, but in the end – like most of anti-corruption drives – this proved more of a tool for political arm twisting, than cleansing of the public servant, as only four civil servants

and two higher police officers were compulsorily retired as a result of this screening. Conviction for political patronage and for raising party funds were much higher than the punishments for financial corruption of the civil servants, which amounted to mere rustication in most of the cases (Ibid: 326). The early years of military government saw some reprieve for common man and a slight decline in the incidents of corruption, which could be attributed partially to the fear of screening process. However, In the opinion of Alatas (1999:64), ‘ the screening had the effect of preparing the soil for a more luxuriant growth’, as once the unscrupulous elements got through this process undetected, they acquired the prestige and status of being certified men of integrity, and taking advantage of this privileged position regenerated themselves with much more force than earlier.

Considerable level of bureaucratic corruption during the first military regime is attributed to the overall strength of bureaucracy as an institution, as well as dependence of the military regime on the bureaucracy for effective running of the state machinery. Further, the relative economic prosperity of the decade along with the production based policies of the Ayub regime also provided the bureaucracy with relatively more chances for making illicit gains. According to Waseem (2002:157), the prevalent recruitment patterns of the civil service also made a crucial contribution to the emergence of corruption in Pakistani bureaucracy of 1960s and onward; as in 1964, 66 per cent of the officers came from a salaried background whose fathers were also government servants. These officers as children were kept in a protective environment and were always on move because of the routine postings of their fathers; so had little incentive for integration with the local communities and the realities of a commoner’s life. Grown up as government officers, they had an apathetic attitude towards the local’s needs and demands and their link to society were based at best on benign neglect.

However, it should be noted that during the first military regime, if corruption was not sporadic it was certainly not at all pervasive. Most of the corruption allegations during the period were related to the grant of import and industrial licenses to the close associates of the military regime, or to the individuals who had bought it from the concern authorities on considerably high prices. Nonetheless, analysts have taken a lenient view of this kind of corruption considering the fact that majority of these licensees

made considerable contribution to the rapid industrial and economic growth of Pakistan during Ayub's reign.<sup>96</sup>

The second military ruler General Yahya Khan also started a process of bureaucratic cleansing in his brief stay at the helm of affairs. He suspended 303 civil bureaucrats on the charges of corruption and subversive activities. The list also included 38 members of the civil service and 16 senior police officers. A high-powered committee was instituted to investigate corruption cases and the assets declared by the president down to joint secretaries. On the recommendations of this committee, 35 senior officers of bureaucracy, out of whom seven belonged to the civil service of Pakistan (including the advisor of former president, secretaries for finance and for family planning) were dismissed from service on the charges of corruption and malpractices (Bhambhri and Nair 1971:38-39). Though the bureaucracy was generally traumatised by these measures, yet it retained its structural features, like collective nature of policymaking and internal review system. The later feature provided the bureaucracy with the opportunity to dispense with the services of corrupt officers and yet retain its institutional integrity (Waseem 1989: 253-254). Nevertheless, as the time revealed this was more of a measure to terrorise the civil bureaucracy to obtain their unconditional obedience in the face of military rule, than any serious attempt for arresting the endemic of corruption. It should be noted that until that time corruption was more in the shape of political patronage, nepotism, and favouritism. Hard core financial corruption or kickbacks were either less common or less reported than in the present day.

## **4.5 The Democratic Corruption 1972-77**

Minimum intervention of the state, in the operations of market, is considered to be an effective tool against corruption, but the first democratically elected government of Pakistan adopted the opposite policy (as was the vogue ideology in those times). State's intervention in the market increased enormously due to the nationalisation policy of Zulfikar Ali Bhutto. Under this policy, large-scale industries, private commercial banks,

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<sup>96</sup> For an account of such analyses please see Governance, Corruption, and Development: Some Major Obstacles to Growth and Modernisation in, Burki, S.H. 1999. Pakistan: Fifty Years of Nationhood. Colorado: Westview Press.

insurance companies, and even small agro-industries, like rice and oil mills were brought under the auspices of the state during, 1972 to 76. The level of state intervention in the market could be ascertained by the fact that by the end of his era, state's share in the non-agriculture Gross Domestic Product had increased from 24 to 51 per cent (Burki1999: 177). Through his nationalisation policy, Bhutto placed these industries under the tight and cunning hold of state bureaucracy; as large public sector corporations were established to run these industries, and a new financial institution – National Finance Development Corporation – was built to establish, administer, and channelize the resources in to these public sector industrial corporations. Thus preparing the ground for the massive bureaucratic corruption, which became a permanent feature of the state machinery in the times to come (Ibid: 177-178). These ill-conceived policies not only opened enormous opportunities for bureaucratic corruption, but also affected the pace of industrial and economic growth of the country; as the average manufacturing output of the industrial sector slowed down from 8.1 per cent of 1960s to 5.2 per cent during his democratic government (Ibid: 103). Economic policies of the regime, though they might not have been devised with this intention, proved significant in the development of a corruption culture in the bureaucracy.

In the administrative sphere, one of the major and longer lasting initiatives of Bhutto's government was the introduction of a quota system for recruitment in the civil service.<sup>97</sup> This allowed many candidates from lower middle class backgrounds, small towns and underprivileged ethnic communities to join the civil service of the country. Such public servants, with underprivileged socio-psychological background, were scarcely prepared to judiciously handle the considerable powers bestowed upon their shoulders. Consequently, they were more susceptible to the famous cliché that, 'power corrupts and absolute power corrupts absolutely'. In view of Waseem, these public servants 'tended to have a pretty bourgeois view of the state as an organisational matrix carrying absolute and legitimate authority in a Hegelian sense, on top of a system of rationing access to scarce resources. This view was accompanied by distrust of all public activity' (Waseem

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<sup>97</sup> According to quota system, a certain percentage of posts in the central administration were to be allocated to the Rural Sindhis. The purpose of this system was to correct the preponderance of Muhajirs in the civil bureaucracy of the country.

2002:157). Once again, without questioning the intention, policy paved the way for furthering bureaucratic corruption in the country.

Contrary to the popular belief that Bhutto, being a leader of the masses, would depend more on elective institution of the parliament and less on the bureaucracy, Bhutto found it more conducive, owing to his own authoritative nature, to employ non-elective institutions, like administrative bureaucracy rather than the representative institutions. Bhutto was quite wary of the power and influence of both military and bureaucracy in Pakistan. As a first step to rein the wild horse of bureaucracy, Bhutto too, like the last government of Yahya Khan, dismissed 1300 bureaucrats on corruption charges. Pursuing his ends further, Bhutto removed the constitutional security granted to civil servants against removal from the service through the famous Civil Service Reforms of 1973. Under the aegis of these reforms, Bhutto dismissed or sidelined honest and independent minded civil servants and promoted those who were ready to follow his instructions in letter and spirits (Hussain 2002:226).

#### **4.5.1 Civil Service Reforms of 1973**

The civil bureaucracy of Pakistan, by the time of these reforms, had already acquired a reputation of notoriety for its image of insolence, patronage, corruption and being beyond reprehension, which made the masses in general to consider its reformation as imperative and inevitable. Although the professed reason, forwarded by the Bhutto government for these reforms, was to make insular and insolent civil service less elitist and less isolated from the general public, civil service was a service for the civilians only in name; in reality a civil servant was less of a servant and more of a tyrant lord for the humble public. Practically the primary objective of these reforms was not to remove the inefficiency or corruption of the civil bureaucracy, but rather to 'control and curtail the powers and privileges of the CSP' (Mitra et al 2006:303). Under the guise of these reforms around 600 service cadres, scales and grades were abolished and were replaced with a unified structure of 22 grades to ensure, at least in theory, an equal opportunity for upward mobility and horizontal movement between services on the basis of merit (Waseem 1989:317). As already mentioned constitutional security was removed and civil servants were subjected to normal legislative enactment; and the powers to arbitrarily

removing senior bureaucrats was given to the chief executive. The change made the civil servants more subservient to the political elite; however this resulted in a further corrupt and coercive style of administration, as the latter did not hesitate to use the former for suppressing the opposing centres of power.

Furthermore, to redress the grievances of civil servants a new service tribunal was established and the powers of the planning commission were reduced down to a normal division of Finance Ministry. Furthermore, service titles like CSP, in order to efface the elite identity of the cadre, were changed into DMG (District Management Group). However, changing the title did not help much and the new cadre of DMG, soon acquired the elite identity associated with its predecessor, until the time that the very nature of its powers and responsibilities were altered in the favour of local bodies' elected representatives, by the military government of General Musharraf.

*Prima facie* criticising the old bureaucratic structure for breeding corruption and inefficiency, Bhutto introduced a long-term structural measure for arresting the power of civil bureaucracy through the system of lateral entry. This provision provided him with the opportunity to 'penetrate the uni-linear structure of services through recruitment to relatively high positions without passing the examination of the Public Service Commission (Waseem 1989: 318). Bhutto is generally accused of employing lateral entry system to install party workers, which were not necessarily suitable for the posts, in higher post of civil bureaucracy. However, it might be inaccurate to attribute this trend solely to Bhutto, as between 1973 to 1975, of all the 514 lateral entrants 90 per cent were already government servants; making lateral entry more of a intra-bureaucratic phenomenon, which had marginal success in creating a pro-Bhutto constituency within the ranks and files of state apparatus (Ibid: 318). As it appears, Bhutto was not very successful in employing this tool of lateral entry to the maximum of his benefit; nonetheless, the later governments, both military as well as civilian, utilised this provision to the maximum of their advantage, causing considerable damage to the professionalism, efficiency and impersonality of the civil bureaucracy. An unbridled exercise of this provision by the later military governments, mainly to distribute the bounty among the various strata of military hierarchy, proved substantial in exacerbating the repressed antagonism in the one non-elected institutions against the other.

Various analysts described these reforms as the final blow to the already decaying bureaucracy of Pakistan. Shah (1997) has described these reforms as a 'political purge' of civil service. Khan (2007) while discussing the impact of these reforms goes on to say that 'the death knell of Weberian professionalism in Pakistan Civil Service was sounded, ironically enough, in 1970s when Pakistan's first democratic elected government... created the 'lateral entry' programme to staff all levels of the administration with party loyalists and remove suspect official' (2007:228). However, the actual effectiveness of these reforms, in curtailing the powers of civil services was very limited, mainly due to the rapid expansion of the public sector, resulting from nationalisation policy of the Bhutto regime. Analysing the impact of Bhutto's policies, Jalal (1995) has assigned little value to them, except in terms of creating opportunities for patronage and corruption. She concludes:

Indeed virtually all of Bhutto's popular policies – whether land reform, new legislation safeguarding the interest of the labour, the nationalisation of key industries, and extension of state control over the banking and insurance sector – provided immeasurable opportunities for graft and corruption. Notwithstanding the lateral entry system, the main beneficiaries of public sector expansion were for the most part the very civil bureaucrats whom the regime was supposed to be giving a much-needed dressing down.

(Jalal 1995:82)

Excessive reliance on the institution of bureaucracy and the concomitant inefficiency of the political elites resulted in structural evolution of the institution on the lines promoting lack of accountability, excessive discretionary powers, inefficiency and corruption in the institution. It was very hard for the later governments to build straight structure on skewed foundations.

#### **4.6 The Islamist Praetorian Corruption 1977-88**

Until the time of the second military coup in Pakistan, corruption was a social problem but it definitely was not the norm; some segments of social strata were still safe from this cancer, and social disapproval of corruption was still quite strong in society. However,



the dictatorial reign of Zia ul-Haq was instrumental in spreading corruption to those corners of society, hitherto unfamiliar with the malignancy of corruption. The primary reason for this was his desire and need to win legitimacy for his unconstitutional regime, while the associated secondary reason was the Afghan war, which brought in billions of unaccounted dollars along with: drugs, arms, and millions of insecure homeless refugees. The whole state apparatus along with all the resources was busy in fighting the so-called 'holy war' in Afghanistan, at the cost of domestic social and economic development.

During his reign, civil-military bureaucracy, along with ethno-religious leaders and their respective parties, enriched themselves enormously. Describing the traits of his reign Jalal says, 'Zia remained as ringmaster of a subservient, fragmented, highly monetised, corrupt and violent political system (Jalal 1995:107). It was his reign, which presided over the spread of religious intolerance, sectarian violence, and ethnic cleavages in the country along with promoting and perpetuating an ethos of corruption in society.

Every new coming ruler of Pakistan saw bureaucracy as a wild horse, which needs to be exhausted, and terrorised, prior to any attempt of domesticated use. Like his predecessors, General Zia ul-Haq too, initially terrorised the bureaucracy to tame it and then used it to his tunes. He did much more to terrorise the bureaucracy than his predecessor Z. A. Bhutto had achieved with all his cunning measures. In the political arena, following the restoration of quasi-democracy; legislators were given huge amounts of funds for so called development of their constituencies, which in popular perception were bribes doled out to the legislators in order to keep them happy with the so called democratic setup established in the country. Understanding the essence of this benevolence, majority of the political elites, opportunistic as they were, spent a small fraction of the received sum on the developmental projects and siphoned away the rest of the funds without any scruple or fear of accountability (Hussain 2002:226). Furthermore, to win political legitimisation, Zia's regime distributed enormous business and commercial loans to its supporters putting extra burden on the already dwindling financial reserves of the state. Prior to Zia's reign the state had managed to keep the debt servicing charges within the revenue receipt, however by 1985 the interest payments were surpassing the revenue receipt of the state.

The state's financial woes increased manifold once the logic of political system marked by repression and control started multiplying the avenues of corruption and frauds (Jalal 1995: 107). Zia unscrupulously used the brutal force of martial law and the lucrative charm of American dollars, bestowed upon him by the US for containment of the Soviet Union in Afghanistan, to discipline his foes and mollify his friends respectively. Summing up the political, economic and social policies of Zia, Jalal concludes:

The consequences of his politically stabilising, economically revitalising and morally regenerating regime are there for all to see – seething hatred among linguistic communities despite the common bond of religion, economic chaos, the practical collapse of civil, police and judicial services and widespread corruption at every level of society.

(Jalal 1995:108)

According to various analysts of Pakistani socio-political development, Zia's era was the darkest and the most corrupt of Pakistan's history. During that time rulers distributed state property as personal gifts among their supporters and the banking system of the country was robbed off Rs130 billion in the form of loans to the various lackeys of the rulers. Everyone associated with the jihad against the Soviet invaders in Afghanistan made millions for him or herself to an extent that most of the persons, appearing on the 1997 Wall Street Journal's list of Pakistani billionaires and millionaires in dollar terms, had accumulated their wealth during this period.<sup>98</sup>

Here it would not be out of place to mention that Afghan war, which was fought mainly for the US and the non-communist Western states, cost Pakistan very dearly in terms of refugees, infrastructure and lack of resources for social development and education. The social cost of this war, which Pakistan is still paying in terms of radicalisation of jihadists who were trained to be adept in using gun instead of pen, was staggeringly enormous specially in terms of decaying governance.

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<sup>98</sup> Billionaires list includes, apart from many current politicians, personage like: Gen. Fazle Haq (Zia's friend and governor of NWFP in his reign, was also involved in drug trade), Salman Farooqi (former federal secretary) and Gen. Aslam Beg (former army chief). For a detailed list of Pakistani billionaires please refer to, Hussain, Ijaz. 2002. 'Legal Control of Corruption and Money Laundering in Pakistan', in de Silva, K.M., Peiris, G.H., de A Samarasinghe, S.W.R. (eds) Corruption in South Asia: India, Pakistan and Sri Lanka. Kandy: The International Centre for Ethnic Studies

#### **4.6.1 ‘Narco-Corruption’**

Corruption in Zia’s era took another form hitherto unknown to Pakistani society; this was the serendipitous advent of ‘Narco-corruption’ or drug related corruption. Partly owing to Pakistan’s involvement in the Afghan war, the enormous expansion of drug trade resulted in the creation of a parallel underground economy. This black economy proved instrumental, in the spread of a criminal ethos in society; undermining the political process through affecting the centres of political power and infecting the vital state institutions, from the rank and files of law enforcement agencies to the higher echelons of the judiciary and bureaucracy. In the last 20 years the enormous revenue, generated by drug trafficking cartels, has made them the most powerful and influential economic group in the country. According to estimates, in 1992, the revenue from illicit drugs trafficking for Pakistan was around \$1.5 billion (Rais 2002:208). These drug cartels used their illicitly acquired economic power to strengthen the prevalent plunder and patronage systems in the country. Analysts have attributed the failure of the state in reducing the influence of such cartels, to the corrupt administrative machinery and the economic power of the drug syndicates to buy off the law enforcement agencies.

Drug related lawlessness and corruption has much more longer-term and deleterious ramifications for a country, than is generally acknowledged. It is a vicious cycle, which is much harder to get rid of as compared to other forms of corruption. In an already fragile and corrupt society, like that of Pakistan, marred with enormous unequal distribution of wealth, drug trafficking can create power islands in society and institutions of the state, which can virtually become ‘untouchables’ due to their enormous economic power, obtained through drug money and influential and trustworthy connections in the highest echelons of the state. This happened in Pakistan where drug trafficking was not limited to only criminal gangs, but rather, politicians, bureaucrats, businessmen and even military officials have joined the bandwagon of drug trafficking. Analysing the problems of drug trafficking in Pakistan, analysts noted that drug-related corruption allegedly permeated the bureaucracy, judiciary and the army; however, no higher official was ever indicted.

Quoting the US Central Intelligence Agency (CIA) report of September 1992 on Heroin in Pakistan, Waseem (2002), has noted that by that time drug trade had contributed \$32.5 billion in the black economy of Pakistan. The report noted Zia’s Islamization campaign

and the Afghan resistance movement as some of the major contributors of this problem. The report also alleged the involvement of various sectarian and ethnic parties, which were created under the auspices of Zia, in the drug trade. Drug related sectarian and ethnic violence threatened and undermined the very essence of civil administration and political order of the country in the coming years. Such extensive level of drug trade was made possible, in the first place, with the cooperation of corrupt law enforcement and custom authorities (Waseem 2002:180). It is an open secret that many of Zia's trusted friends and architects of the Afghan jihad were also involved in drug trafficking from Afghanistan to Pakistan and to the rest of the world.<sup>99</sup>

Even the 'Inter Services Intelligence (ISI) was implicated in promoting heroine trade, allegedly to cover its operations in Afghanistan' (Ibid: 181). In the opinion of Jalal (1995), Zia's support for the Afghan resistance, though brought in much needed foreign aid, but it also deepened the lines of social conflict, by creating a parallel drug and arms economy, generally believed to be associated with the army's notorious ISI wing (1995:108). It needs further investigation, whether this drug trade was condoned to fuel the expensive war, for, and against a super power, or for the personal gains of the few chosen ones; but what is beyond any doubt is that its deleterious ramifications for the Pakistani society were much more, than the total worth of this trade for the national and international players.

Apart from adverse economic impact, the political consequences of this huge drug trade were also enormous; as most of the drug barons were either themselves politicians or, somehow or the other, linked with the political elites of the country. Having countless money at their disposal, drug barons had little difficulty in being elected as the representative of the populace, generally living on the margin of poverty line. Once elected, obviously such political elite had little interest in controlling drug or corruption mafia and found little incentive in combating Narco-corruption in the various segments of society and institutions of the state. This criminalisation of politics resulted in lack of

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<sup>99</sup> Several persons close to top echelons of Zia's government were involved in drug trades, some of them were even prosecuted later on, like: Governor of NWFP and a trusted friend of Zia, Lt.Gen. Fazle Haq his brother Fazle Raziq, Zia's banker Hamid Hussain and another NWFP governor Ghafoor Hotti's son Aurangzeb Hotti.

political will, so dearly needed, for the success of any social reformation movement, in general, and any anti-corruption campaign in particular.

#### **4.7 Decade of Kleptocracy 1988-98**

Ironically, rather unfortunately, the longest tenure of almost truly representative democracy in the country, decade from 1988 to 1998, also coincides with the most wide spread epidemic of corruption in Pakistan. By the decade of 1990, corruption in the public sphere was no longer sporadic, isolated or petty; it was systemic: corruption was the norm and honest behaviour of politicians or civil servants was rapidly becoming the exception (Khan 2007:230). This decade of kleptocracy saw four democratically elected governments, alternatively spearheaded by Benazir Bhutto, the daughter of Z.A. Bhutto, and Nawaz Sharif, a protégé of General Zia-ul-Haq. These two represented Pakistan Peoples Party (PPP) and Pakistan Muslim League (PML) respectively. Three of these four governments were prematurely dismissed by then presidents on the charges of mega corruption, mismanagement and bad governance; the fourth government was taken over by the army, under command of General Musharraf, quoting almost the same reasons.

The significant change in the patterns of corruption during this decade was that unlike the previous rulers who concentrated more on patronage, nepotism and clientelistic politics, the rulers in the 1990s were personally involved in several cases of mega corruption. This penchant of the top-most ruling elite for opportunistic politics and massive financial corruption had adverse effects both for the public and the public servants. It not only inculcated a sense of apathy towards any still present standards of moral probity among the public servants, but also promoted a defeatist psychological state and antipathetic attitude towards the state among the masses. Although widespread corruption, nepotism and maladministration were, *inter alia*, the major reasons for the dismissal of the three governments in 1990s, yet each successive government was more corrupt than its predecessor. Each incoming government started an accountability campaign, primarily targeting its predecessor, which the outgoing government blamed to be a media trial and a malicious attempt, motivated by political considerations of the current government to malign the opposition party. Such accountability drives normally ended with their

respective governments, without producing any significant result or any long-term implications against the corruption of future public servants. It is interesting to see that the trends of corruption in Pakistan, in the late 20th century, were exactly like the mid 20th century experiences of West Africa, analysed in detail by McMullan (1961). According to his study (1961:182), 'much of the political history of some unfortunate countries could be told as the 'ins' being accused, correctly, by the 'outs' of corruption; popular indignation at the corruption causing replacement of the 'ins' by the 'outs', who in turn become corrupt and are attacked by a new group of 'outs'. During the entire decade of kleptocracy in Pakistan, this cat and mouse play was as continuously staged as Agatha Christie's Mousetrap, and was cynically watched by an indifferent audience. In this decade, the corruption of political elites and their families was so rampant and blatant that it almost overshadowed the corruption of the bureaucracy.

Elucidating the extent of corruption in the bureaucracy of the country, in this decade of kleptocracy, Waseem (2002) has quoted Mahbub-ul-Haq, a well known World Bank economist and finance minister of Pakistan, according to whom the corrupt bureaucracy of Pakistan annually siphoned off Rs40 billion, i.e., 10 per cent of the total amount of transactions in the country (2002:156). This proves the point of functionalists like Leys (1965), Bayley (1966) and Nye (1967) regarding the value of corruption as a capital formation tool; but their assertion that corruption could facilitate economic development through such capital formation does not hold ground at least in case of Pakistan. Mainly because Leys apprehensions regarding the transfer of corruption wealth in the 'numbered accounts in Swiss Banks' (1965:229) holds true in most of the developing countries like Pakistan. This fact is substantiated by various analysts including Mahbub-ul-Haq, who remarked that corrupt politicians and bureaucrats prefer to keep their ill-gotten money in offshore accounts, instead of keeping it in Pakistani banks, let alone letting it flow into beneficial directions. The estimates of such wealth range from 40 to 80 billion US dollars, which is almost double of the entire foreign debt of the country (Rais 2002:190). Cohen (2004:252) while discussing the contours of this decade of democracy, goes on to mention that one of the well known minister, during Benazir's first term, acquired the nickname of Mr. 5 Per cent, who subsequently matured into Mr. 10 per cent during her second term, referring to the commission, he reportedly used to ask for in lieu of

government's approval of industrial projects. Interestingly, some other analysts of Pakistan have reported these percentages as 10 and 30 per cent respectively, during the first and second terms of Benazir Bhutto as prime minister.<sup>100</sup> While discussing the role of political elites in drug trade, Rais (2002:209) quotes the 14<sup>th</sup> September 1997, *Sunday Times* report according to which 'a confidential Drug Enforcement Administration (DEA) informant taped a five hour conversation of the same minister, discussing how he could ship drugs to the American market'. Ironically, the same political elites, many of whom were kept in prison on corruption charges for many years and were also allegedly involve in drug trade, are still the most influential and powerful person in the political and administrative hierarchy of the country.

In a notorious scandal involving the prime minister and her family, the media disclosed the purchase and renovation of 350 acre Rockwood mansion in Surrey, England, at a total cost of \$5.5 million. Benazir Bhutto and her family were charged, while being in office, for: accumulating assets worth \$1.5 billion, through different rice deals; sale of state owned lands; aborted purchase of aircrafts for \$4 billion, involving a kickback of \$200 million; draining off money from governmental welfare schemes; allocating monopoly rights to a gold bullion dealer in lieu of a commission of \$10 million; and many similar questionable deals (Waseem 2002:151). It was also alleged that Bhutto hired two international firms, involving a kickback of \$170 million, to improve the revenue collection of the country according to the standards set by International Monetary Fund (Ibid).

The economic team in the caretaker administration – spearheaded by cabinet ministers like Shahid Javed Burki and Hafiz Pasha – after Benazir's second ousting from the office estimated the cost of poor governance and corruption during her term in the office. Their methodology was a simple one, according to which the team evaluated the damage incurred to the more important sectors of the economy like: commercial and investment banks, public sector insurance agencies and investment institutions. The estimate also includes dozens of public sector corporations, which had suffered heavy losses because of vast expenses on unnecessary projects, superfluous employment and procurement

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<sup>100</sup> For reference please see page 228 of: Hussain, Ijaz. 2002. 'Legal Control of Corruption and Money Laundering in Pakistan', in de Silva, K.M., Peiris, G.H., de A Samarasinghe, S.W.R. (eds) *Corruption in South Asia: India, Pakistan and Sri Lanka*. Kandy: The International Centre for Ethnic Studies

pilferages as a result of corruption in the higher ranks of administrative hierarchy. According to their estimates, the cost to the country was around 20 to 25 per cent of its 1996-7 gross domestic product, which amounts to around \$15 billion (Burki 1999:174-175). While assessing the cost of damage limitation, the same team estimated that it would have cost the government 10 to 15 per cent of the GDP of that year to deal with the banking sector crisis only.

The Pakistan Muslim League (PML) government of this decade of kleptocracy was not any less than the Pakistan Peoples Party's in siphoning off the public money. However, the marginal difference in theirs and PPP's style of corruption was that along with political patronage and financial corruption, being business oriented, PML did not hesitate from enhancing their business pursuits by virtue of their office. This kind of business corruption is generally considered more harmful for the economy because of the damage it causes to other private as well as public enterprises. PML leaders owned heavy machinery manufacture business; it was reported that till 1989 all the sugar machinery manufacturing was done by the state owned Heavy Mechanical Complex, Taxila, while private manufacturers had no stake in such manufacturing. One year later in 1990, after PML's ascent to power, the government sanctioned 23 new sugar mills instead of 13 recommended according to official policy. Banks facilitated credit to the companies who placed their machinery manufacturing orders with the manufacturing units owned by PML leaders, resultantly by 1992, 11 out of 19 companies had placed their orders, for manufacturing of sugar machinery, with these manufacturers (Waseem 2002:152-153). This style of corruption has several repercussions for an economy in general: first, it deprives the state owned enterprises of a huge amount of business; second, it proves instrumental in creating monopoly and concentration of wealth; third, it concentrates the flow of capital in direction of one sector often starving the other more important sectors of the economy; and finally, it facilitates the contract placing to bidders, who are willing to abide by 'certain conditions' and who might not necessarily be the most efficient ones. The same leaders were also accused of illegal distribution of plots between their clique and friends, during Zia's era when they were running the Punjab government. Among those who received such plots were 42 politicians, 22 journalists, 16 senior bureaucrats, and 9 judges of the Lahore High Court, including Justice Tarar who later became



President of Pakistan during PML's second stint at the office. Same leaders were also allegedly involved in misappropriation of public funds, kept for distribution among the poorest section of society, to the extent of Rs. 200 million from the total allocation of Rs.1 billion for the year 1992-93. They were also accused of money laundering and siphoning off almost \$70 million through loan defaults and tax evasion. In 1998 Benazir Bhutto filed references against Nawaz Sharif, in which he was accused of rescheduling of loans to the tune of Rs.180 million and misappropriation in wheat import causing a loss of Rs.230 million to the state. The care taker government after the dismissal of PML's first government from the office in 1993, held their government responsible for arbitrarily reducing custom duties on the import of bundled scrap (used in the heavy machinery industry) from Rs1500 to Rs500 per metric ton causing a loss of Rs1,100 million (1.1billion) to the state while bringing a profit of Rs336 million to the family enterprise of certain leaders (Ibid: 152-154). During their first term Pakistan Muslim League, ran most of the municipal administrations in Punjab; resultantly local councillors kicked back millions of rupees to the ruling party for election campaigns. In 1992, PML leaders allegedly transferred Rs200 million from Punjab governments fund to a private account to be used as a slush fund for his constituents (Khan 2007:232). In a similar accusation it was reported that during his first term (1990-93), PML administration increased the discretionary fund of the prime minister from Rs0.8 million to Rs845 million through transferring money from various public funds (Waseem 2002:154).

The decade of 1988 to 98 was the longest stretch of continuous democratic rule in Pakistan but unfortunately, this also proved to be the worst decade in terms of spread of corruption and bad governance. According to the national corruption perception survey of 2006 commissioned by Transparency International Pakistan, the first terms of both Benazir Bhutto and Nawaz Sharif in office were considered, as less corrupt as compared to their second stints at the helm of affairs, indicating a deteriorating trend in the political elite despite being thrown out of the office (Transparency International Pakistan 2006:24). Discussing the political development of Pakistan, Mitra (2006:291), has described this decade as 'marked by unprecedented corruption, law and order problems, economic instability, political victimisation and individual authoritarianism, laying the grounds for yet another military *coup d'état* in 1999'. Such were the circumstances under

which the military again, for the fourth time in the 52 years of the country's history, took over the reins of state in its own hands under the command of General Pervez Musharraf. And yet again mega corruption, economic mismanagement and poor governance of the government were given as the major reasons for this takeover.

#### **4.8 Corruption in the new Millennium 1999-2008**

Taking a leaf out of the history of previous military governments in Pakistan, cleansing of the political and administrative machinery of the country was set as the foremost task by the new military government. Deviating from history, instead of outrightly sacking hundreds of bureaucrats and to strike terror into the heart of bureaucracy, military government of Gen. Musharraf created the National Accountability Bureau (NAB) under the legal aegis of National Accountability Ordinance (NAO) 1999. This was the fifth major anti-corruption law legislation, and NAB was the fifth major agency created for this purpose, in the history of the country.<sup>101</sup> This bureau was created to investigate and prosecute the cases of corruption and corrupt practices committed not only by public servants but also private individuals. Initially NAB enjoyed significant public support, as the results it produced were by far the best in the accountability history of the country; yet still they affected only the tip of the iceberg considering the enormity of the problem and gravity of the situation; 'at the end of 2004 NAB had filed 740 references in the accountability courts and recovered \$92 million' (Mitra et al. 2006:304). NAB tried to target mega corruption of higher political and bureaucratic elites without catering for the causes of the widespread petty corruption.

Initially NAB ruthlessly pursued the big shots of the corruption mafia, including influential politicians, top bureaucrats, senators, families of former presidents and retired generals. Nonetheless, with the passage of time the bureau started to become, like the already discussed anti-corruption drives of the past, more selective in its approach and was employed by the military government as a stick in its 'carrot and stick policy' in dealing with the corrupt political elites of the country. Even the National Anti-Corruption Strategy (NACS) document, prepared under the guidance of NAB, admits that 'although

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<sup>101</sup> For a detailed list of all major and minor anti-corruption legislation in the country, refer to Annexure 8 at the end of the dissertation.

corruption had declined in the first year of military rule, the deterrent effect of NAB in particular, seems to have diminished subsequently' (NACS 2002:8). In the succeeding years, compromising out of political necessity, numerous corrupt political elites were allowed to 'settle' their cases with NAB, in return of their support for the military government, after giving a miniscule part of their ill-gotten wealth as plea bargain. Resultantly, several of the provincial and national assembly members and cabinet ministers of the 'civilian government' formed after the election of 2002, were the ones who had pending cases of huge financial mismanagement and corruption.<sup>102</sup> Many of these were the one how were included in the list of "corrupt billionaires" prepared by NAB in its first year (Khan 2007:239). The current civilian government has considerably reduced the sting from the powers of NAB; and the conditions can be ascertained by the following extract written by one of the respondents.

In the past, the government acquired a portion of land of a person for public use. The owner of the land filed a case in court for compensation. The court accepted his writ and ordered for compensation; and the party approached me for payment. At this stage somebody informed me that our field office has not properly defended the case and favoured the owner for bribe.

A mid-level male officer of the anti-corruption agency in Islamabad narrated this incident during the survey of civil bureaucracy in May 2007.

As the national corruption perception surveys conducted by Transparency International Pakistan in 2002 and 2006 indicate, despite an extensive and much publicised anti-corruption campaign by the military government, corruption is still persisting, pervasive and rampant in the public sector of Pakistan. In these surveys respectively three and four thousand households from all the four provinces of Pakistan were surveyed and were questioned about their perception of extent and causes of corruption. Police and power departments emerged as most corrupt in both of the surveys, while the image of Judiciary deteriorated further from 2002 to 2006 as it moved from fourth to third most corrupt institution in the country. The average annual expenditure per consumer on bribery in dealing with public institutions was Rs2,303 in the year 2006; rendering the total

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<sup>102</sup> For a list of such politicians refer to Khan (2007).

estimated cost of petty corruption around Rs45 billion per year (assuming there are 20 million households in the country). However, the average annual expenditure, per consumer, on bribes given to the police was much less (Rs694) as compared to Customs (Rs13,352), Land Revenue (Rs5,085) and Judiciary (Rs4,198). Prevalence of corruption in 2006 could be ascertained by the fact that when asked, whether they had to face any corruption in dealing with different public sector institutions the percentage of respondents answering 'yes' with regard to police was 90 per cent, power 70 per cent, judiciary 77 per cent, land revenue 91 per cent, taxation 84 per cent, and customs 88 per cent. While evaluating the performance of the military government on corruption and governance front, almost 68 per cent of the respondents in 2006 considered the first three years of the military government – a time period without farce democratic set up – as less corrupt than the later four years when a so-called democratic government was in place (Transparency International Pakistan 2006:23-55). This fact indicates a lapse of will on the part of military government in favour of 'doctrine of necessity' employed for gaining political support and legitimisation of the regime.

Both vertical and horizontal corruption is pervasive and deep rooted in Pakistan.<sup>103</sup> Corruption in Pakistan is like traffic signboards in Europe, staring at your face on every turn. Corruption has become a part of the ordinary citizen's daily transactions, to an extent that it is perceived as a part of life and has even become an expected behaviour. Commenting on the frequency of the corruption Khan (2007:226) states that 'the average Pakistani encounters corruption every time they have any dealings with the bureaucracy: paying bills, registering births, reporting a crime, getting an electricity connection, trying to get their children admitted to a school or recording the sale of a house.' He further laments about the all-pervasive corruption by indicating that 'virtually every sector of the economy and every institution in the country is riddled with massive corruption and, unsurprisingly, their performance is often poor and many institutions are almost dysfunctional' (Ibid: 234). According to the above mentioned Transparency International Survey (2002: 44,55) hundred per cent of respondents reported encountering corruption in their dealing with police and land administration. As TI's latest corruption perception

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<sup>103</sup> According to Alemann Von Ulrich (1995), the term horizontal corruption refers to corruption within the various administrative units, agencies, organisations and departments of the government; while vertical corruption denotes to corruption at local, regional, national, and international levels.

survey of 2006 showed, corruption is still so widespread, deep rooted, and all pervasive in every public transaction that it's more of a norm than an anomaly.

Though top brass of the military government were not known for their financial corruption, and according to general perception were decidedly less corrupt than their predecessors, yet they kept their eyes closed to the financial mismanagement and corruption of the political elite as well as higher bureaucrats; probably because of their dependency on the former for winning legitimacy for the regime and on the latter for the effective running of the state machinery. Despite having a very promising start in the crusade against corruption, through the early successful years of NAB, the military government lost all the initiative in the later years owing to their desire and necessity of making political compromises without realising the long-term damage done to the economy and the nation for the short-term benefits of the ruling military junta.

Discussing the perception of public office holders in Pakistan, Cohen (2004: 255-256) is of the view that 'the reputation of politicians, bureaucrats, and increasingly the military for corruption is such that tax evasion and cheating are universal, and an attitude of cynicism pervades all discussion of economic policy'. While predicting a bleak future for Pakistan he asserts that 'with its thin natural resources, high levels of corruption, dysfunctional bureaucracy, and political uncertainty at the best of times, Pakistan remains pretty far down the list for capital-seeking investment. However, the informal economy, a vast network of smuggling, trade, loans, and favours thrives' (Ibid: 265-6). The underground or informal economy of the country was estimated to make up 20 per cent of the GDP in 1973, which, according to a report of Pakistan Institute of Development Economics, reached up to 51 per cent in 1996 (Rais 2002:190). Estimating the current size of the unofficial economy, Cohen (2004: 248-249) is of the view that it is around 50 to 100 per cent of the size of the regular economy; rendering revenue generation extremely difficult and placing a greater strain on salaried class Pakistanis including civil servants.

Though this is not the place to lament about the opportunities lost, yet to emphasise the impact of corruption, I shall give a short account of what should or could have been the state of affairs in Pakistan, had it not been the victim to this malice of corruption and political opportunism. The State Bank of Pakistan's governor while addressing a

conference in Woodrow Wilson Centre, Washington in January 2004 presented a very vivid picture of what Pakistan might have been had its economy been guided in the right direction and resources were not misappropriated entirely or misplaced on wrong priorities. According to his analysis, with a well-funded educational system and properly attended human development, achieving 100 per cent literacy, Pakistan's per capita income would have doubled to \$1000 (Pakistan's per capita income, as of year 2002, was reported as \$410 by World Development Report 2004); with technical skills of the labour force up to that of East Asia, Pakistan's export could have been \$100 billion instead of a mere \$12 billion; and with lower population growth, down to 2 or 3 per cent, Pakistan's infrastructure could have been able to sustain higher health and educational levels (Cohen 2004:257). Arguing on the same lines Burki and Robert have also concluded that Pakistan had the potential to become a middle-income country from low-income country even in the 1980s (Burki and Robert 1984:3). As already mentioned Pakistan was beneficiary of handsome development assistance (Pakistan was the third largest recipient of the official development assistance in the world for the period 1960-98), adjustment loans and lucrative Western alliances. Had Pakistan invested all the official development assistance from 1960 to 1998 at the real rate of 6 per cent, it would have stock assets worth \$239 billion by the end of 1998 (Easterly: 2001:2). But in reality by the end of 1998 Pakistan had foreign exchange reserves of less than \$1 billion (which in fact depleted to \$531 million in August 1998) and foreign debt of almost \$ 38 billion.

#### **4.8.1 Current Situation**

General Musharraf made political compromises to ensure his personal rule, cut deals with the very segments of Pakistani politics, he once considered as bane of the political system. In the end, as his role was cut short in the war against terror, finally he had to resign leaving the state of affairs back in the hands of the same political elites of 1990s.

After the dawn of the latest era of popular democracy, the socio-political and economic situation in Pakistan is far from being promising. On the economic front according to the budget for the year 2008-9, defence expenditure was increased, from 18 per cent for the last year, to 24 per cent of the total expenditure; while the public expenditure on education was still a meagre constant of 2 per cent. In the new fiscal year debt servicing

and defence would consume 62 per cent of the total public expenditure, while the rest of the whole public spending on activities like economic affairs, general public services, public order and education would be met from the remaining 38 per cent of the total expenditure. The economic plight of the general public could be ascertained by the fact that, during the last fiscal year, general inflation has risen from 7.8 to 10.3 per cent, while food inflation alone had gone up to 18 per cent in January 2008,<sup>104</sup> however, the actual inflation is said to be much higher than the reported figures. The extent of inequality in the distribution of wealth could be judged by the fact that per capita income has increased from \$925 to \$1,085 per annum (a significant increase of 17 per cent), while 70 to 80 million of the people are still living on a bare minimum of less than two dollars a day.

Currently, after spending more than half of precious foreign reserves, present political government is contemplating to approach IMF for a financial bail out in the face of impending default on international financial commitments. The current economic picture can be summed up as suffering from: quickly depleting foreign reserves; very high inflation; devalued local currency; unprecedented shortfall of energy resulting in at average 12 hours of load shedding; closure of hundreds of industrial units; fast growing unemployment; and the ongoing war on terror spilling over to different regions of the country. On the political front, as far as the players are concerned, the scene differs only slightly from the time preceding the military takeover in 1999.

## 4.9 Conclusion

In the preceding pages we have identified and analysed the genesis and evolution of corruption in case of Pakistan. However, considering that history is a continuous process, analysing Pakistani corruption from August 14, 1947 can hardly provide any comprehensive blue print of the socio-psychological and politico-economic factors involved in the growth of this phenomenon. Considering this, we have traced the evolution of corruption in the region back to the days of ancient India. We have seen that corruption, like in any other part of the world, is as ancient as the region itself; and Kautilya gave a very vivid description of the phenomenon in his fourth century BC

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<sup>104</sup> According to the reports of The Daily Time, available at:  
[http://www.dailytimes.com.pk/default.asp?page=2008%5C02%5C12%5Cstory\\_12-2-2008\\_pg5\\_1](http://www.dailytimes.com.pk/default.asp?page=2008%5C02%5C12%5Cstory_12-2-2008_pg5_1)

treaties on statecraft. However, the modern day public corruption started with the evolution of public office in the region. Arrival and stay of the British in India was facilitated through coordinated corruption of local elites benefiting the colonial masters. Though British rule in India was generally 'cleaner' than similar colonial reigns in some other parts of the world, yet its end was marred by an exponential growth in the corruption of public officials mainly due to the emergencies triggered by WWII.

We observed that corruption was recognised as an ominous threat even at the time of partition, and Pakistan was born with this congenital deformity, which gradually spread to a degree leaving the pre-partition corruption far behind. Though Jinnah, the founder of Pakistan, was well aware of the multi dimensional hazards of this illness and emphasised on curbing this ailment with an iron hand, the corruption industry grew and flourished more than any other sector in Pakistan.

In this chapter we analysed the role played by the troika of civil-military-bureaucracy and the landed aristocracy in the development of this malice in society as well as in the public sector of Pakistan. We also evaluated how the well-educated immigrated class dominated the civil bureaucracy in the initial phase of the country, which in turn subjugated the weak political institutions and initiated the over development of non-elected institutions at the expense of elected ones. Wrong priorities set from the very start, in terms of institution building, resulted in a permanent dent in the institutional structure of the whole state; a wrong which has not yet been corrected even after the lapse of half a century. We also analysed the nexus between the migrated business class and the mohajir-dominated bureaucracy and how it furthered the cause of corruption.

The chapter further explained that despite the fact that initially both joined forces, the balance of power gradually shifted from the civil bureaucracy to the military. Then slowly the political canvass of the country was dominated by the khaki colour of the Pakistan army, which employed patronage, favouritism and nepotism for maintenance of its rule in the country. We also explored the doings of the first truly elected civilian government and drastic shift in the economics policies of the state and its simultaneous attempts to rein the wild horse of bureaucracy, paradoxically putting more power in the hands of bureaucracy through nationalising the private industries and by creating multiple public sector corporations. This provided more room to the bureaucracy to manoeuvre



and opened new avenues of corruption for public servants. Bhutto's attempt to revamp the whole bureaucratic set up by abolishing the old cadre system, through civil service reforms of 1973, proved more of an attempt to harness the bureaucracy for his own political ends rather than having any long term impact on the honesty, integrity and efficiency of the institution.

Moreover, we further analysed the second military reign, and how it contributed to the development of a culture of corruption in the country. How corruption turned from sporadic to widespread, individual to systemic, epidemic to endemic and an anomalous occurrence to an expected behaviour. We have seen how Zia's regime, abundantly disposing of American dollars, bought support from various segments of society and different institutions of the state. He employed ruthless force and large sums of money to unscrupulous achieve his ends, establishing a tradition of repression and corruption in the country. In the guise of Islamization he sowed the seeds of religious fanaticism, sectarianism, and fundamentalism. In the backdrop of the Afghan war his association with and negligence towards the drug trafficking and narcotics expansion in the country resulted in creating such economic-power-centres in the political arena of Pakistan which made the whole political system hostage for the coming decades. His guileless use of allocating funds for the members of assemblies and extensive use of lateral entry into the ranks of civil bureaucracy created and nurtured an ethos of corruption in the public service, both elected and non-elected. He doled out millions to the political elites in search of legitimacy for his rule. This money, though apparently intended for the development of the constituencies, never reached them and was conveniently pocketed by the selfish political elites of Pakistan.

We analysed in detail the longest stretch of democratic rule in Pakistan from 1988 to 1999, which was also termed by critics as the most corrupt decade of Pakistan's history. The volcano of corruption, which started to erupt in Zia's reign, engulfed every institution of the state and every segment of society in the coming decade of kleptocracy. During this decade, ruling elite were repeatedly charged with and dismissed from office on account of mismanagement, bad governance and mega corruption; but every new government was more corrupt than the previous one. Political elite in collaboration with civil bureaucracy robbed the exchequer of billions of dollars.

Top political elites, who are supposedly the guardians of the public interest and overseer of bureaucracy, rather served as disastrous role models for it. Weberian character of bureaucracy, which was already tarnished during the unconstitutional rule of Zia, was completely destroyed during this decade of democracy. This unprecedented surge of corruption inculcated an apathetic attitude among the masses, removing the stigma associated with the phenomenon of corruption, and made it a tolerated social reality from which there is no escape. The society started to soften its disapproval of the phenomenon, making it easier for the perpetrators to live peacefully devoid of any social pressure or moral qualms and without even trying to hide their corruption. The most detrimental impact of this development was that some sections of society even started lauding corruption and looked derisively at honesty.

Lastly, we have analysed the latest epoch of Pakistani history, which started with the new millennium, with reference to prevalence and control of corruption. We analysed in detail the reasons why, despite having a considerably good start, the military government of General Musharraf was unable to maximise the tactical advantage in its fight against corruption. Top military brass, despite being not known for financial corruption, was forced to make choices based on the clichés of political necessity, compromise, mutual co-existence, and accommodation. Like most of the praetorian regimes the quest for legitimacy, at the national as well as the international front, forced the military government to subside its across the board accountability drive. In the process it lost public confidence and trust in the ability and sincerity, of the military regime to bring the robbers of the national exchequer to justice and retrieving the looted money of the taxpayer. Resultantly, for a short time corruption in the highest echelons of the bureaucracy reduced a little bit but the corruption at middle and lower level of the bureaucratic ladder is still as rampant and ubiquitous as in the last decade. In view of some critics, the Musharraf administration, despite having relatively less-corrupt early years, was ‘as corrupt as the ones that preceded it’ (Khan 2007:240). Further in this chapter we have enumerated few of the lost opportunities and their impact on the over all socio-economic environment of the country, by listing some hypothetical projections made by different economists regarding the economic landscape of the country, had Pakistan used its resources efficiently and intelligently. Finally, we have analysed the

current political as well as economic indicators of the country and their significance from the perspective of governance and control of corruption in Pakistan.

At the end of this chapter we have understood the genesis of corruption both as an academic concept and as a real world phenomenon widely prevalent in the developing world. We have seen how in different eras, various categories and modes of corruption were used by various actors and institutions in Pakistan to increase their power. We have analysed the situation from the perspective of general public as well the academia; in the next chapter, we will discuss the perceptions of the civil bureaucracy of Pakistan regarding the prevalence and cause of corruption in the public sector of the country. As perception of corruption is considered a reliable indicator of the original level of corruption in any country, this study also employs the perception of corruption as a reliable representative of the extent of corruption in Pakistan. This perception will be evaluated with the help of data collected through surveys and interviews of the civil bureaucracy of Pakistan. In the coming chapter we will also analyse the trends emerging from the data regarding the extent, and causes of corruption. The practical measures for effective control of corruption and improvement of governance, based on the qualitative and quantitative analysis of a ‘successful performer’ i.e. Motorway Police of Pakistan, will be presented in the Chapter 6.

## Chapter 5

### Perception of Corruption: Prevalence and Causes

This chapter deals with the vital question of perception of corruption in transitional societies or developing states. Perceptions regarding the prevalence, and causes of corruption, gathered during the fieldwork, have been presented and analysed in this chapter. Pakistan was taken as a model case, representing transitional societies and developing states, for the reasons explained earlier in detail,<sup>105</sup> addressing questions like: cultural embeddedness of corruption as a phenomenon; institutional nature of corruption; role of institutions in spread of corruption; identification of both highly and least corrupt institutions and analysis of reasons for each; relationship between corruption and socio-economic development of the state; and the most significant causes of corruption.

The coming chapter examines and analyses all the above-listed issues, referring to the ideas and perceptions of the second stakeholders in any corrupt transaction, i.e., public servants. As the very notion of corruption germinates from the distinction between the private and the public, consequently, when it comes to identification of the real stakeholders of any corrupt transaction, things always boiled down to two parties: general public and their servants, i.e., public servants. Any meaningful inquiry addressing the issue of corruption should consider the views of both camps; however, what we see is the repletion of research from the general public's perspective, and an equal negligence of the other side of the story.<sup>106</sup> This research tries to fill this gap by assessing the views, sentiments, apprehensions, and recommendations of public servants, regarding the issue of corruption.

This lack of serious research on corruption from the agent's perspective can be attributed to the unavailability of data due to the inaccessibility of the public servants, as public servants are generally very sensitive as well as careful, while divulging any information about corruption. Mainly because of two reasons: first, if they are corrupt themselves, they do not want to explain their *modus operandi* and second, if they are not corrupt, they avoid washing dirty linen in public, according to the codes of camaraderie. However, in

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<sup>105</sup> Refer to Introduction and Chapter 1 for detailed explanation of the selection criteria.

<sup>106</sup> For a comprehensive view of the research on corruption, see Chapter 2.

the latter case, more important is the apprehension of provoking unwarranted negative sentiments amongst the colleagues, which could lead to consequences not very pleasant.

## **5.1 Measuring Corruption: How valid are perceptions?**

The obvious hurdles in the way of collecting empirical evidence regarding prevalence of corruption have forced researchers and practitioners to employ perception of corruption as a proxy indicator for the real level of corruption. Until very late in the 20th century, this problem of collecting tangible information about corruption kept the research on the topic on a bare minimal level. However, towards the end of last century, researchers opted to improvise and started using perception of corruption as an alternative indicator for prevalence of corruption. Since then plethora of research has been conducted using this indicator.

Despite its authenticity being questioned by some scholars recently, this improvisation is generally accepted as a reasonably true representative of the original level of corruption.<sup>107</sup> Presently, multiple data banks and indices like: World Economic Forum, Business International, Corruption Perception Index, and World Wide Governance Indicators, are using perception of corruption as a suitable indicator of real level of corruption. Johann Graf Lambsdorff (2005:1), the creator of CPI, considers the subjective perceptions and expertise as a good indicator of the real level of corruption; if not for any other reason, then because of its ability to bring corruption research beyond the anecdotal description that dominated the field earlier. It is important to mention here that this use of perception as a proxy of reality has instigated an array of empirical work on the subject, which was not possible earlier.<sup>108</sup> Treisman, in his extensive empirical study of the causes of corruption, noted that if perception based ‘ratings reflect bias, it is a bias that is remarkably widely shared’ (2000:412).

In a recent study Richard Rose and William Mishler (2007) have questioned the validity of perception of corruption as a proxy indicator of real level of corruption. Analysing the New Russia Barometer survey data, they have found out that ‘people are far more likely

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<sup>107</sup> For a latest criticism on the use of perception of corruption as a proxy for real level of corruption, see Rose Richard and William Mishler (2007).

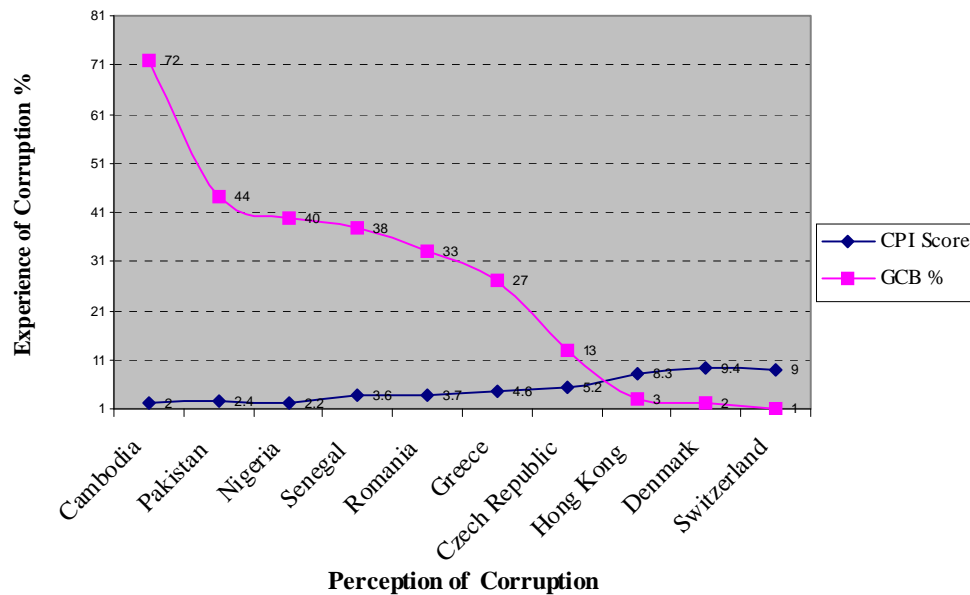
<sup>108</sup> For a detailed view of the empirical work on corruption refer to the relevant sections in Chapter 2 dealing with Literature review. Also see Lambsdorff (2005); Bardhan (1997); and Jain (2001).

to perceive the government as corrupt, than to experience it' (2007:4). In case of Russia, the authors locate a huge gap between the 86 per cent of respondents perceiving the majority of public officials as corrupt and those 23 per cent who actually had to pay a bribe during the last two years. This gap, according to the authors, is attributable to the 'exposure to multiple channels of information about governance and fair treatment by public officials' (ibid: 5).

More interestingly, the authors report the same discrepancy on a larger scale by analysing the TI's Global Corruption Barometer (GCB) 2006 data for 60 countries. The figures for perception of corruption and experience of corruption, according to their analysis, are an astounding 77 per cent and 9 per cent respectively. This glaring disparity can be attributed to the role of media in the present cyber age. Corruption cases are reported as juicy material, while anti corruption effort or honest conduct is overlooked. Each reported case multiplied the perception in terms of number of people who read about it. Resultantly a single case turns into a generalized perception for millions.

On the other hand, the latest Global Corruption Barometer (GCB) survey of 2007 reports a significant congruence between the perception and experience of corruption. According to this report, 'there is a strong link between people's perception of corruption in key services and their experience with bribery when coming in contact with the same service' (2007:11). The correlation coefficient for the above-mentioned relationship has been reported as 0.47 ( $p < 0.01$ ). In order to establish the link between perception and experience of corruption, a significant indicator could be the relationship between the CPI scores, which is based on perceptions of general public, business personal and country experts, and GCB score, which is based on experience of general public, business and entrepreneurial communities in selected countries. The following graph draws a comparison between the experience of corruption percentages and CPI 2007 scores for the countries belonging to various quintiles according to the GCB 2007.

**Figure 1 Experience and Perception of Corruption**



Source: Data obtained from CPI 2007 and GCB 2007

A closer look at the graph reveals that for the countries reporting maximum experience of corruption, CPI score or the expert perceptions, regarding prevalence of corruption in those countries is also low. It could be seen from the above graph that generally the experience of corruption and perception of corruption scores are in congruence with each other; with the exception of Nigeria whose CPI score of 2.2 is lower than Pakistan's score of 2.4 despite having a lower percentage for experience of corruption, which is 40 per cent as compared to Pakistan's 44 per cent. Another similar disparity between the CPI score and GCB percentage exists in case of Switzerland and Denmark.

The above results replicate and corroborate the findings of Mitra (2006: 146-148) where he shows, that in six different states of India, the actual incidence of riots and murders affects the perception of law and order in those states. According to his study perceptions seem to be influenced by experience and prove to be a good indicator of actual level of governance in various states. As in Mitra's study perception and experience of law and order are positively correlated with each other similarly, in this study perception and experience of corruption are positively linked. Consequently, perception of corruption seems to be a sufficiently reliable indicator of the actual level of corruption, and we can

also claim like Mitra that ‘the fact that ‘quantitative’ and ‘qualitative’ measurements produce the same rank order is not entirely fortuitous’ (2006:146).

## **5.2 Significance of Perception as a Proxy of Corruption**

Regardless of the debate, whether perceptions are a true representative of the real level of corruption in a society or not, it is evident that the perception of corruption is as harmful for any society as corruption itself. There are few social phenomena, whose perception, regardless of how true or wrong, has as much impact as the reality itself. Corruption is one of such phenomena. According to Treisman ‘the perception of corruption may have as serious consequences for economic development as corruption itself’ (2000:412). Though, in philosophical terms, reality exists independent of mind, yet in case of corruption it is generally observed that reality depends on whatever is in the mind.

Corruption stems from insecurity about what one has, and the desire to have more. Frustration, repression and unequal distribution of wealth are concomitant by-products of corruption. The perception of corruption produces the same effects, sometimes even worse. It has the same impact on the socio-economic mindset of the individuals as the perception of political instability or uncertainty has on the stock exchange index. In the same way as even baseless rumours can bring the stock market down, even an exaggerated or unreal perception of corruption hampers the economic growth of the state and destroys the socio-psychological make up of the society.

Perception of rampant state corruption trickles down very fast to the basic level of society. It reduces trust in the state and tarnishes the image of the public service, leaving the individual members of society dejected and helpless with a strong inclination towards pessimism coupled with selfishness. A general atmosphere of insecurity, social unrest, lack of trust, instability and opportunism are the natural corollaries of a high perception of corruption. The level of antipathy, cynicism and hopelessness produced by this perception of corruption can very well be ascertained by the following views of one of the respondents of the survey.



We are a society of hypocrites. It is our cultural influence. No one has the courage to call a spade a spade. We find scapegoats everywhere. Because our rulers historically never liked to have an independent bureaucracy, they kept the pay meagre, but rewarded the faithful with lucrative postings. Hypocrisy increased and thus corruption was induced in us. This is a corrupt system and is running since creation of Pakistan. It is not possible to eradicate it the way it exists at present. We need to revamp the whole system. Pays should be increased and powers curtailed, not only if it suits the rulers.

One 39 years old mid level officer of Customs & Excise department recorded his views of Pakistani society during the survey of Central Board of Revenue in April 2007.

### 5.3 Perceptions of Corruption

It is generally perceived that like in many transitional societies and developing states, corruption in Pakistan is rampant, pervasive, entrenched and deep rooted. It is almost a unanimous view amongst multinational corporations, international financial agencies, international and national non-governmental organisations, regional experts, foreign and national investors and the common Pakistani citizen. The World Bank in its country procurement assessment report notes, ‘there is no hard and fast evidence available to the Bank, showing that bribes are being paid... and that public officials are receiving them in exchange for undeserved awards or other favours. However, indicators are that these exchanges happen routinely... these indications are so strong that it is difficult to escape the conclusion that corruption is alive and well in the public procurement sector of Pakistan’ (World Bank Report 2000:9). This depiction can be applied to almost all the public sphere dealings.

There is hardly any issue in Pakistan on which there is such undisputed consensus, among the masses belonging to all walks of life and all parts of the country, than the issue of public corruption. These perceptions have been evaluated and assessed with the help of various surveys, reports, polls, and indices.<sup>109</sup> However, there is one section of society, which is at the centre stage of every corruption debate and whose perspective has never been systematically assessed or empirically analysed. That section is the public servants.

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<sup>109</sup> Detailed description of such surveys and indices is given in Chapter 3.

This research is seminal in this regard as it endeavours to assess, quantify, and empirically analysed the public servant's perceptions on two vital aspects related to corruption: causes, and control of corruption.

It is important to point out here that the perceptions of public servants are not only significant because of their association or knowledge of the corrupt transactions going on in their vicinity, but it is also important because, interestingly, very frequently public servants themselves are the target of this environment of corruption and malpractices. Corruption is so much institutionalised that even if one public servant has to deal with any other public department, he will have to resort to either his professional connections or bribe as a mean to get his work done. For example, if an officer from ministry of commerce has to obtain his house rent payment from the ministry of housing and works, it will be very difficult for him to achieve his objective without greasing the palms of the officials from the ministry of works. Public servants are both the perpetrators and the victim at the same time, giving much credence and value to their perceptions. This can very well illustrated by the following narration quoted by one of the respondents of our surveys.

The account office without commission passes no bill for contingencies, arrears of salary, medical, etc. Interestingly, during the survey campaign started by the current Army regime, I asked one of the officers to check the corruption at the account office. He helplessly remarked that the Controller Military Accounts (CMA) passes their own bills on commission. At personal level I received the medical claim for the birth of my child on her first birthday.

A young mid-level male officer of Income Tax services Islamabad shared his personal experiences with the author during the survey of bureaucracy in May 2007.

It is worthwhile to reiterate here that this data was collected with the help of surveys and interviews of public servants in Pakistan. A total of 237 surveys conducted with the public servants of 32 different departments, institutions, and organisations of Pakistani civil bureaucracy were used for the data analysis presented in this and the coming chapter. The questionnaires were designed to obtain public servants' perceptions regarding prevalence, causes, and control of corruption in the civil bureaucracy of Pakistan. The complete questionnaires (including one sample filled questionnaire) are

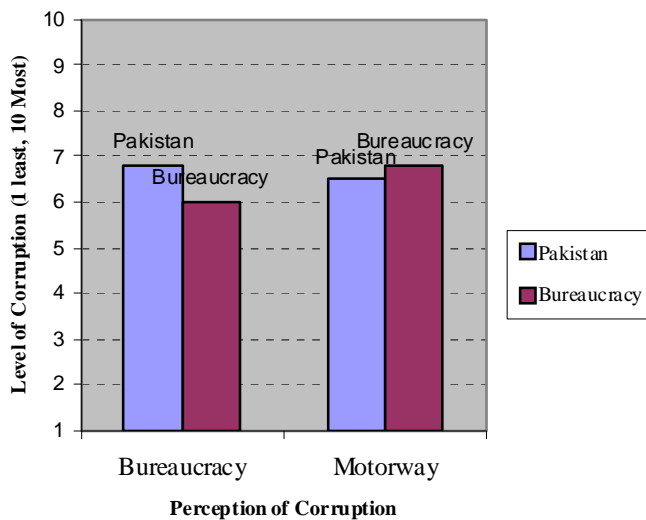
placed at the end of this dissertation, in Appendices 1 and 2. Coming pages will be presenting the detailed analysis of the real stakeholders' perceptions regarding prevalence, causes and control of corruption, collected through these surveys/interviews; this analysis will be corroborated with the help of graphic explanations wherever needed.

### **5.3.1 Prevalence of Corruption**

Public servants despite being an impersonal entity in Weberian sense are not insensitive to the views and apprehensions of the society of which they are a part; rather they display a relatively neutral critical judgment, when it comes to evaluating their own behavioural characteristics. Obviously, the fact that all respondents were asked to give their perception regarding the level of corruption in bureaucracy anonymously, made them relatively comfortable in expressing their views without any apprehension of retribution. Respondents, both from bureaucracy and Motorway Police, were asked in two different questions to rate Pakistan as a whole (including political as well as civil-military bureaucratic elite) and the bureaucracy as an institution in terms of prevalence of corruption. They placed Pakistan as a country at 6.9 in terms of prevalence of corruption, on a scale of 1-10 (where 1 was least and 10 was most corrupt), however, it is important to note that more than 60 per cent of the respondents placed Pakistan on a score 7 or above. Nevertheless, they displayed slightly preferential tendencies towards bureaucracy, which was rated as 6.0 on the same scale.

An important inference, which could be drawn from the above results, is that either the public servant's perception is influenced by the information channels available to them or the information available from various sources like CPI or WWGI is substantially accurate. Transparency International's CPI is calculated on an opposite scale where 10 is corruption free and 1 is most corrupt; however if we convert our scale according to CPI scale we will find that Pakistani public servant's perceptions regarding prevalence of corruption in the country is slightly better than what CPI has calculated. Latest CPI score for Pakistan was 2.5 and our converted score would be 3.1.

**Figure 2 Comparative Perceptions of Bureaucracy and MP**



The above chart indicates yet another interesting aspect: the bureaucratic view, (represented on the left side of the figure) regarding prevalence of corruption in Pakistan is almost in congruence with the views of Motorway Police, (shown on the right side of the figure), which rates Pakistan as 6.5. However, respondents from a structured institution like MP do not show any sympathetic consideration towards the unstructured inefficiency of the bureaucracy, which was rated by MP as more corrupt than Pakistan in general, with a score of 6.8. This difference in perception of MP and Bureaucracy is probably a good proxy for the popular perception regarding public service corruption in Pakistan.

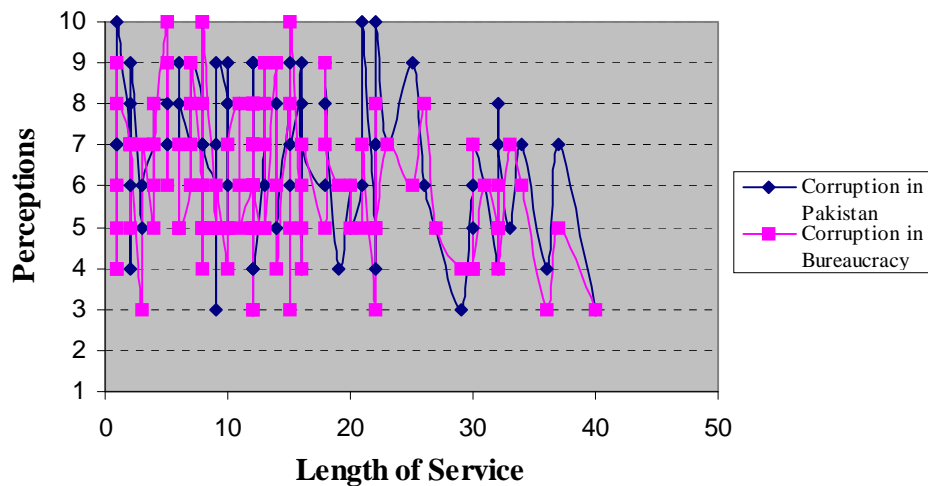
### 5.3.2 Variation in Perceptions

Another very important distinction within the ranks of bureaucracy is the variations in the perception of agents with reference to their age and length of service, and their respective ranks. Results indicate a tendency on the part of lower rank agents, who are in service for a longer period of time, to underplay the existence of corruption within their institutions. There was a significant negative correlation reported between the age of the respondents, their length of service and their perception of corruption in Pakistan. Statistical result sheet placed at Appendix-4 shows respective negative correlation coefficients of 0.188

and 0.211 for age and length of service of the respondents. Significance of these correlations is established at  $p < 0.05$ .

The following chart clearly shows a relatively low admission of prevalent corruption by the respondents who have served for more than twenty years. It can be observed that as the length of service increases from 20 years and beyond, the perception of corruption starts decreasing. On average the ranking given to the corruption in bureaucracy by agents with a length of service up till 20 years, is around 6, while the same score for agents who have served for more then 20 years is around 5.

**Figure 3 Variations in Perceptions of Corruption**



This difference of one point on a scale of 1 to 10 is worth further analysis. It indicates that the older public servants' views regarding prevalence of corruption are relatively milder than those of their younger colleagues. One inference could be that older public servants have a longer personal history of indulging in questionable transactions, and their softer view of prevalent corruption is part of their rationalisation-process; but current data is insufficient to prove this inference statistically. One obvious and logical explanation for this variation is the fact that frequent and persistent exposure to undesirable and unjustifiable situations gradually breeds insensitivity and apathy among the respondents towards those situations. Fresh entrants to public service tend to be more idealistic in their views and critical in their judgments. However, with the passage of time they tend to get more practical in their views and lenient in their judgments. An additional explanation of this disparity is that a fresh entrant does not understand the

system fully and in the exuberance of youth and idealism judges every mismanagement or inefficiency as corruption. After newcomers have spent more time in the service and start understanding the system fully, they realise that not all the maladministration and mishandling is corrupt *per se*; consequently their perception of corruption reduces. Following views expressed by one of the younger officers, while filling the survey questionnaire, illustrate that in his idealism for overall change of society, he does not single out corruption from its environment of other shortcomings, but relates it to the dysfunctional system as a whole. .

Pakistan needs change of perception about life. Life is different from living. Life involves contribution to existing good. A proper perception of life would lead to proper/appropriate targets. We need reform at all levels starting from judiciary to impart justice, to education, which should aim at character building. We have to give up all double standards, if we want to rise out of the quagmire of disgrace and corruption. Our perceptions about dominating others need to be replaced by facilitating others. Seeking power should be replaced by seeking liberty. We should try not to be the part of the problem by looting and plundering but a part of the solution by giving directions and becoming change agent. But that would take time... so we need to educate and school our future generations in a new paradigm, paradigm of rationality and honesty against emotions and corruption. It is the man behind the gun that matters so lets reform him, the institutions will be reformed thence, by a chain reaction.

A young, single, male officer of ministry of information, who had joined civil service two years ago, recorded these views in Islamabad during the survey in May 2007.

An interesting paradox in this regard is the perception of higher rank public officers, who, despite having served for mostly more than 20 years, have a perception of corruption, which is on average higher than their junior colleagues. The following table indicates that the higher one climbs the ladder of bureaucracy, the more convinced one gets about the prevalent corruption, in the institution and the country. Perception of corruption in Pakistan as a whole grows with the official position of the respondents, with the exception of topmost position in civil bureaucracy of the country, i.e., Basic Pay Scale of 22. However, the perception of corruption in bureaucracy as an institution is almost uniform among the public servants, regardless of their position on the covetous ladder of

seniority. This difference in perception regarding prevalence of corruption in Pakistan and the bureaucracy could be attributed to the blame-shifting aspect of human nature; public servants tend to hold politicians more responsible for the unenviable position the country is in.

**Table 7 Perception of Corruption According to the Hierarchy of Bureaucracy**

<i>Basic Pay Scale</i>	<i>Perception of Corruption in Pakistan</i>	<i>Perception of Corruption in Bureaucracy</i>
BPS17	6.91	5.79
BPS18	6.87	5.97
BPS19	6.94	6.12
BPS20	7.67	6.00
BPS21	7.50	6.00
BPS22	6.50	6.25

One important factor to be kept in mind about the above analysis is that in Pakistani bureaucracy, longer length of service is not always synonymous with a higher official position. Any organisation, ministry, division, can be headed by an officer who has relatively shorter length of service as compared to many of his subordinate officers. This is possible because of the dual entry and promotion systems in place: one way is to become a direct officer, who joins the civil service directly on officer level (BPS 17) after going through the prestigious Federal Public Service Commission's examinations; the other way leads through the promoting cadre, consisting of officers who joined civil service after going through departmental exams on relatively lower level and then reach the officer level after decades of experience.

### **5.3.3 Cultural or Institutional Problem**

As already discussed in detail, there has always been a section of academia and researchers, which associated the cultural threads with the phenomenon of corruption. According to this school of thought, culture is a very strong determinant in the prevalence of corruption in transitional societies of Asia and Africa, and this cultural aspect of corruption renders its eradication from these societies almost impossible. This school of thought displays, at best, a condescending attitude towards the problem of corruption in

the changing societies of the developing world attributing it to the traditions of gift giving and to the familial and kinship associations deeply embedded in the cultures of transitional societies. While discussing the issue of political corruption some scholars observed that ‘cultural theorist emphasised instead the set of normative bonds in which political action is embedded’ (Adsera et. all 2000: 5). However, the existence of similar practices like pharmaceutical marketing techniques prevalent all over the world, and the criteria for selection of presidential cabinets along with the election donation tradition in various developed states, suggest that corruption cannot be singularly specified as a condoned phenomenon in the transitional culture. Different cultures have various traditions, which might seem objectionable to an outsider but all the cultures understand corruption as an illegal and immoral phenomenon.

**Table 8 Cultural Vs Institutional Problem I**

	<i>N</i>	<i>Mean</i>	<i>Std. Deviation</i>
Corruption a Cultural Problem	133	5.74	3.007
Corruption an Institutional Problem	134	4.56	2.846
Valid N	133		

As it is evident from the above statistics, there prevails a mixed view among public servants regarding the nature of corruption in Pakistan. But the level of agreement with the view of corruption being an institutional problem is slightly stronger than the view of corruption being a cultural problem (lower mean score indicates stronger agreement with the statement, which was rated on a scale of 1-10, where 1 was complete agreement and 10 was complete disagreement).

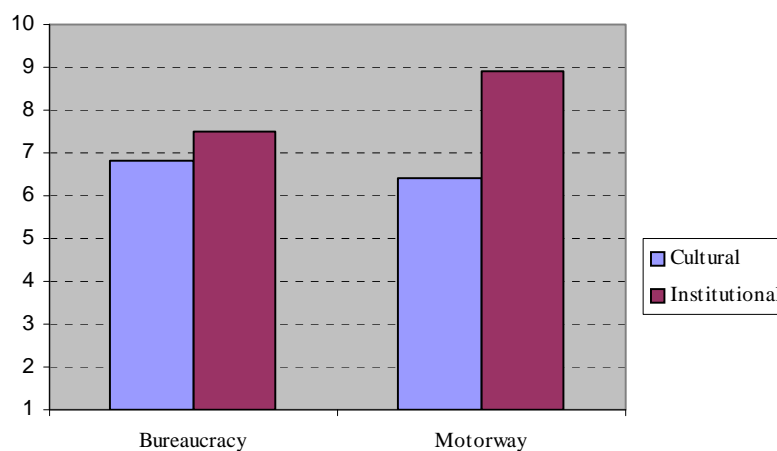
When the same question was placed to the members of a well structured, least corrupt and more efficient institution as is the Motorway Police, their level of agreement to the view of corruption, being an institutional rather than cultural problem, was significantly higher. The difference in the perception of a well-structured and badly structured institution can be ascertained by comparing the scores in the two tables.



**Table 9 Cultural Vs Institutional Problem II**

	<i>N</i>	<i>Mean</i>	<i>Std. Deviation</i>
Corruption a Cultural Problem	98	5.38	3.751
Corruption an Institutional Problem	99	3.89	3.419
Valid N	98		

It is safe to assume from the above difference in perception that the institutional environment of the agent significantly influences his perspective, regarding the general nature of a common problem. It could also be inferred from the above comparison that agents placed in routine institutional structure of the general bureaucracy might find it easier to shift the blame on their culture as a whole; nevertheless, the actors placed in right institutional environment have a chance to experience themselves that they are not determined to act in accordance with an orientalist prejudice, regarding any assumed culturally defined personality structure, but rather feel the difference that a good institutional environment can make on the lives of its members.

**Figure 4 Hiatus in Perception**

### 5.3.4 Social Attitude towards Corruption

Our data reveals that in public servant's perception society treats the corrupt actors as normal, without agreeing to their actions. There is linguistic and attitudinal ambivalence in the societal use of corrupt as a noun and corruption as a verb. Response to the statement that *society treats the corrupt individuals just as normal*, was between strong agreement and agreement with a mean score of 3.7; while the response to the fact that,

*society accepts and condones corruption*, was in between agreement and disagreement with a mean score of 5.

If the thesis of cultural embeddedness of corruption is taken as true, then society must accept and condone corruption; as it stems from the very basic social norms like gift giving, familial obligation, and tribal or ethnic associations. However, according to the perceptions of public servants in the traditional society of Pakistan, society does not accept or condone corruption nevertheless; it treats corrupt individuals not much differently. This paradox could be explained with social psychology. Being inherently hierarchical oriented it is a rational choice of the individual to submit easily to the will of the strong, or to acquiesce readily with the influential and powerful. Corruption brings undue money, which brings power and alters the social standings of a corrupt individual. The powerful stature of corrupt individuals, not only because of their ill-gotten wealth but also due to their social status as public servants, forces society to tolerate them despite disliking their source of power.

### **5.3.5 Age, Gender and Geography**

An unexpected finding was that various factors like age, gender, geographical origin, number of dependents and marital status do not have any significant impact on agent's perception of corruption in the country or the bureaucracy. Regarding age it was interesting to note that although the age of the agent has no direct bearing on his/her perception yet their length of service has some already explained relationship with their perceptions. Analysis also indicates that the number of dependents or the marital status does not effect the respondent's perception regarding prevalence of corruption in the country or the bureaucracy; the mean score of married and single respondents for the earlier was 6.9 and 7.0 respectively, while regarding bureaucracy this score was 6.2 and 5.9 respectively. Neither does the geographical origin of the respondent cause any significant trend in their perception; respondents belonging to all the four provinces of Pakistan displayed mixed trends in their perception of corruption in the country.

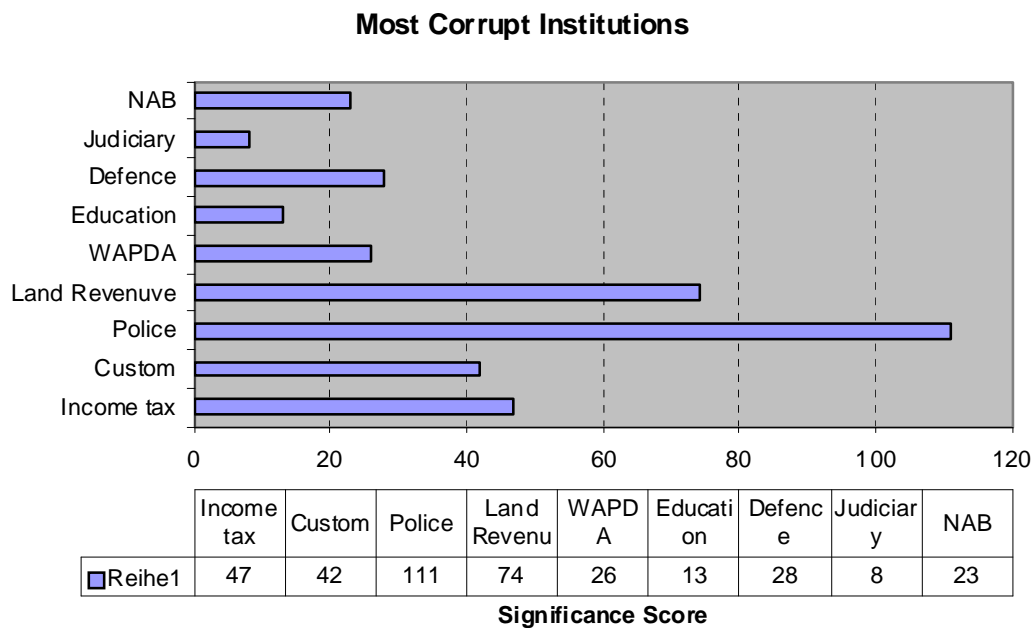
Though gender also does not effect the perceptions in any significant manner yet one interesting aspect was that female respondents appear not to differentiate much in the level of corruption in the bureaucracy and the country in general. According to female

respondents (10 per cent of the total sample) the level of corruption in Pakistan and bureaucracy was 6.7 and 6.5 respectively, while the same score in view of male respondents were 6.9 and 6.0. These results indicate that male agents have a harsher view about Pakistan and a slightly lenient view of their own institution while their female counterparts have a relatively strict or objective assessment of the institutions they belong to. This result corroborates the findings of an earlier study (Swamy et al: 1999) on the relationship between gender and corruption, concluding that women are less involved in corruption and are less likely to condone bribery taking. The above-mentioned study further indicates that corruption is less in states where women make up a larger part of labour force or have greater share of parliamentary seats.

### 5.3.6 Corruption Variance in Different Institutions

Considering the basic theme of this research it is imperative to find out that whether there is any variance in the level of corruption in different institutions or not. Respondents were asked to identify the three most and the three of least corrupt institutions among a list of the 11 most important institutions.

**Figure 5 Most Corrupt Institutions**



The result was very interesting as two similar institutions, belonging to the same genre, conspicuously stood out in both lists. As anticipated, the police was rated as the most corrupt institution in the whole bureaucratic set up, along with Land Revenue Authorities, Income Tax and Customs falling on the next three positions respectively. However, police outnumbered the rest of the institutions comfortably, when it comes to degree of prevalence of corruption in any institution. Corruption in police is pervasive to the extent of being an axiomatic reality. It is a common belief that, regardless of the nature of the encounter, any dealing with police is impossible without paying tea surcharge.<sup>110</sup> The following incident quoted by a respondent substantiates the above assertion.

The recent incident of corruption took place with me when I had to get a police verification certificate from SP office in Attock for my visa application to Austria. They made a very simple thing so complicated that one has to pay bribe to get rid of all troubles and get the certificate in one day. Otherwise one has to go personally with application in union council then local police station then DSP then security officer finally SP to get their signs and every time the big SAAB would be busy in meeting or on round etc. This whole process will take at least 2 weeks. Give them Rs200 under the table, no need for any thing; just collect your certificate in afternoon.

A young, male, civil servant from Punjab, who was in Linz, Austria for pursuing higher education, shared these experiences during an interview with the author in December 2007.

It is noteworthy that the first two most corrupt institutions are basically administrative institutions, while the next two most corrupt institutions belong to the financial services; implying that administrative and financial sectors of the state are consummately malfunctioning and corrupt. This data corroborates the view of Pakistan as an ideal example of 'growth without development' (Easterly 2001), since the two most vital sectors for development are marred by under performance and institutional corruption, despite an overall above average growth of the economy. The common public feels the brunt of corruption in these two sectors most conspicuously, which inculcates

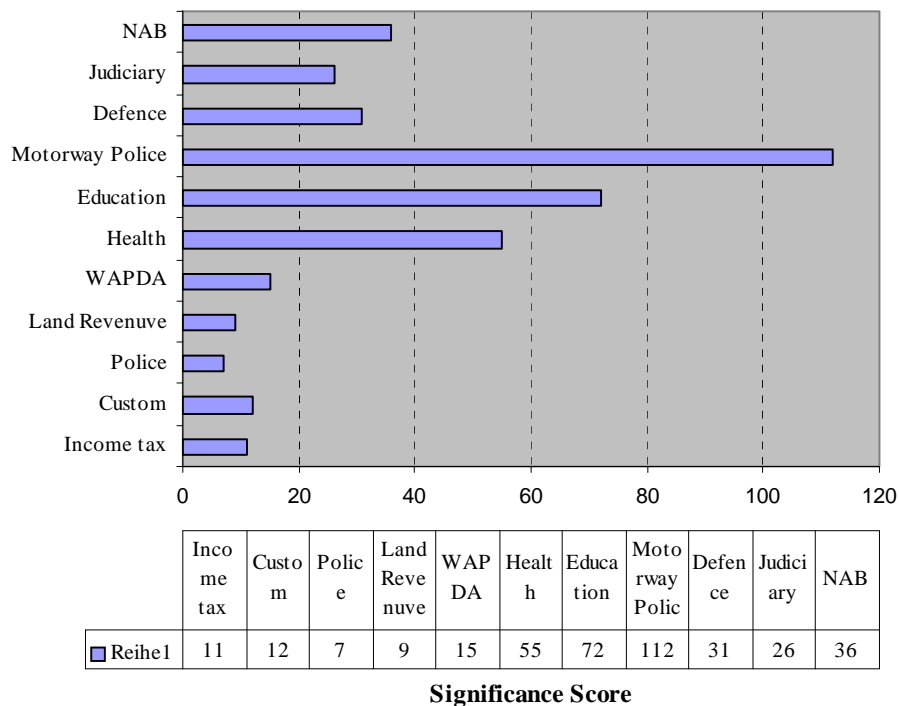
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<sup>110</sup> This refers to a common term in Pakistan and India known as money for Chaaye Pani (tea and water), which is demanded by the officials in lieu of any minor service they provide.

despondency, a sense of helplessness, and repressed hostility against the state among the masses.

Interestingly, on the other hand a sister institution of the police, i.e., Motorway Police was unanimously rated as the least corrupt institution in the country, followed by Education and Health respectively. The motorway Police stands out as the only non-corrupt institution in the whole bureaucratic set up of Pakistan; almost 80 per cent of the respondents, from the bureaucracy, have selected MP as the least corrupt among the given list of eleven institutions. Number of N, both in case of most and least corrupt institutions, reaches to 400 because three observations, each for first, second, and third (most and least corrupt) institution were collected from every respondent.

**Figure 6 Least Corrupt Institutions**



More over, almost hundred per cent of the respondents included MP as one of the three least corrupt institutions. This result empirically substantiated the general perception of the author along with the views of various newspapers, Transparency International Pakistan, NACS and NAB regarding MP being the only clear institution in the country. One respondent recorded his views about Motorway police as following:

There is already an ideal institution, in the form of Motorway Police, available in Pakistan, which can be taken as a milestone for all the other institutions. Apart from this it is necessary that the leadership in Pakistan should be reconsidered because in my view, all the politicians, either in government or not, are the most corrupt individuals in Pakistan, with only a few exceptions. Similarly if the leadership within an institution put their sincere efforts, with the support of employees, this may result in eradication of corruption from grassroots level.

Another young, male, civil servant from Punjab, who was also doing his doctoral research in Linz, Austria, expressed these views during an interview with the author in December 2007.

As described in the start of this dissertation, if we establish the ranking of perceived level of corruption in various institutions within Pakistan on the lines of Corruption Perception Index of Transparency International, we see an astounding picture. The Motorway Police has a CPI score of 9.3 according to our data. Signifying that level of corruption or quality of being free from corruption in Motorway Police is exactly like Denmark, which is the least corrupt country in the world according to the latest CPI ranking.

**Table 10 Institutional Comparisons in Terms of Corruption**

<i>Pakistani Institutions</i>	<i>CPI 2008</i>	<i>Corresponding Country</i>
Motorway Police	9.3	Denmark (1)
Education	6.0	Israel (33)
Health	4.5	Namibia (61)
NAB	3.0	Bolivia (102)
Defence	2.6	Eritrea (126)
Judiciary	2.1	Bangladesh (147)
WAPDA	1.3	Iraq (178)
Customs/Income Tax	1.0	Somalia (180)
Land Revenue*	0.8	Somalia (180)*
Police*	0.6	Somalia (180) *

However, amazingly we have also seen a diverse trend among different institutions of the bureaucracy, according to which Education and Health are comparable with Israel and

\* Two institutions in Pakistani Bureaucracy, Land Revenue and Police, scored below 1 according to the perceptions of the public servants. As the lowest score on CPI is 1, which signifies the most corrupt country in the world so, due to unavailability of a parallel, we have compared these two institutions with Somalia, which was the most corrupt country according to the CPI 2008, with a score of 1 on a scale of 1-10.

Namibia respectively, while NAB, Defence and Judiciary, respectively, match Bolivia, Eritrea and Bangladesh in terms of transparency and corruption. WAPDA and Customs/Income tax equal the level of Iraq and Somalia respectively; Somalia was judged as the most corrupt country in the CPI of 2008. Interestingly, there was not any parallel available to the level of corruption in the departments of Land Revenue and Police in Pakistan. The figures in the parenthesis indicate its relative position on the CPI 2008. These results corroborate the findings of 2006 survey of Transparency International, according to which 100 per cent of respondents, who had to deal with police and land authorities in Pakistan, had reported of being paid bribe.

## **5.4 Causes of Corruption**

The literature on causes of corruption reveals a plethora of reasons for the spread of corruption, forwarded by various academics, researchers, practitioners, and the general public (Rose-Ackerman 1999; Treisman 2000; van Rijckeghem 2001; P 1997). Though these causes range from economic to social and from political to psychological, yet never has – to the best of our knowledge – any study been conducted to investigate the causes, impact or control of corruption from public agents' perspective, as to what according to their perceptions are the reasons or consequences of corruption and what according to their understanding could be the effective *modus operandi* for controlling this phenomenon. Subject research tries to obtain 'from horse's mouth' the views regarding the causes, consequences and control of corruption.

Causes of corruption have a two-pronged significance in any corruption related study: firstly, they reveal the reasons for the presence of this malice in society and second, secondly, they provide a significant insight for combating corruption by removing those causes. Considering the vitality of the issue numerous questions have been incorporated in our survey questionnaire, exploring the agents' true perceptions regarding causes of widespread public corruption in the country. Question no.8 to 18 were directed towards exploring the general as well as specific causes of corruption (questionnaire could be seen at Appendix 1). The respondents were asked both direct as well as indirect questions to ensure maximum information gathering.

Reported causes of corruption have been investigated through multiple sets of questions and the results derived from these have been divided into five broader categories. The first refers to the direct or primary causes, which respondents have chosen for rampant bureaucratic corruption in Pakistan (Q 11). To the second category belong the causes reported as the reasons for widespread corruption in certain institutions like Police (Q 8); adjacent with these, are the reasons reported for lack of corruption in certain institutions like the Motorway Police (Q 10). Third, financial aspects of causes of corruption have further been investigated by inferring conclusions from the answers dealing with the financial status and background of the agent (Q 12 & 13), along with their responses to a question offering hypothetical increase in salaries (Q 29). The fourth category refers to causes linked to the pace of development in the country, which tries to establish the link between corruption and development (Q 19, 20, & 21). The fifth category is aimed to look at moral and social causes, derived by the analysis of responses to the questions related to the role of the public, the image of bureaucracy, and the moral reasoning of the agents (Q 16, 17, & 18).

In order to avoid sacrificing the clarity of understanding at the altar of brevity, wherever possible we have strived to group the major findings into two broader categories, according to their significance in the eyes of respondents. These categories will be denoted as High Frequency Causes (HFC), and Low Frequency Causes (LFC). In questions where significance of a certain response could be established by frequency of its appearance, HFCs would be the causes pointed out by more than forty observations; and similarly LFCs would be the one chosen by fewer than forty observations. The number of observations is referred to as significance score (SS) in the coming sections. In questions where respondents were asked to rate any statement on a scale of 1 to 10, HFCs would be the one achieving an aggregate score ranging from 1 to 3, while LFCs would be the one with aggregate score ranging from 4 to 6.

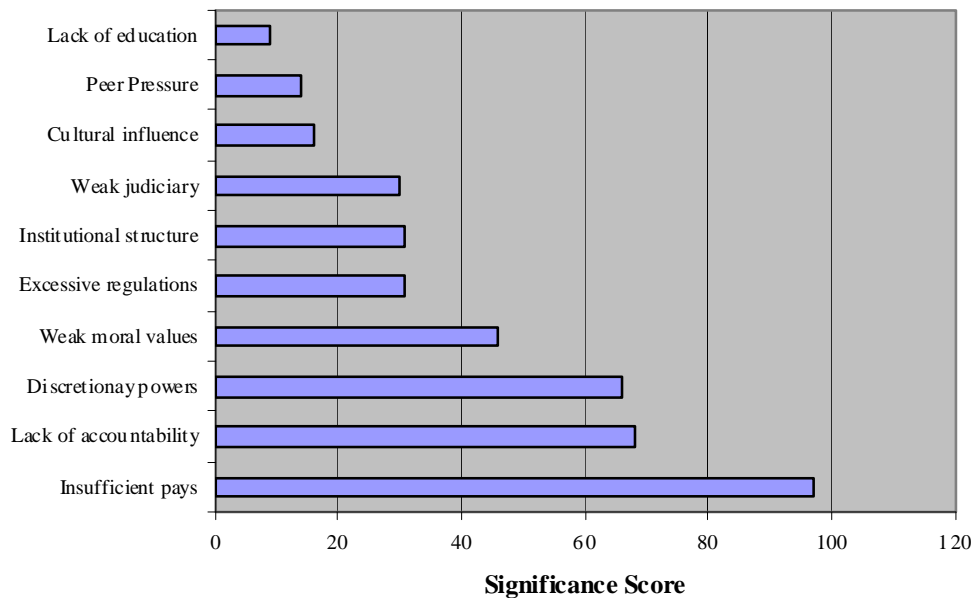
#### **5.4.1 Primary Causes of Bureaucratic Corruption**

The responses to most of the direct questions regarding causes of bureaucratic corruption could conveniently be divided into our earlier explained classifications of HFCs and LFCs. However the kind and nature of the causes falling into these two categories are



quite surprising and considerably deviant from the general expectations and from the earlier research on the subject.

**Figure 7 Causes of Bureaucratic Corruption**



The above graph clearly reveals that causes like insufficient financial remuneration, lack of accountability, discretionary powers, and weak moral values are the ones falling into the classification of HFCs. While excessive bureaucratic regulations, institutional structures, weak judiciary, cultural influences, peer pressure, and lack of education belong to LFCs.

#### 5.4.1.1 High Frequency Causes

It is interesting to observe that, contrary to general academic believe, in public servants' opinion insufficient financial remuneration is the foremost cause of widespread corruption in the bureaucratic setup of Pakistan.<sup>111</sup> Firstly, there are very few studies investigating the relationship between public service remuneration and prevalence of corruption; secondly, whichever few studies are available they note the financial aspect

<sup>111</sup> Number of theoretical studies suggest that ensuring an honest civil service through increased financial remuneration might not be a cost effective strategy, some of these studies include: Besley and McLaren (1993), and Flatters and McLeod (1995); Mookherjee and Png (1995) derived a different conclusion saying that bribes may be less efficient than bonus payments for corruption law enforcers.

as one of the variables, affecting the level of corruption within any state (Swamy et al. 1999; Treisman 2000; Mookherjee 1995). Interestingly none of these studies have attached such overwhelming significance to the variable of financial remunerations, except the study of Van Rijckeghem and Weder (2001), but they also conclude that increase in civil service pays from 1 to 2 is associated with improvement in a country's corruption index ranking of only 0.5 point. The authors have cautioned in the same breath that higher salaries do not lead to less corruption in the short run; moreover, cross country correlation does not necessarily reflect a causal relationship from remuneration to corruption (2001:324). But the current study reveals that public servants attach significantly more value to the level of remunerations, as compared to many researchers and practitioners studying their behaviour; as an astonishing significance score of (SS 97) was recorded in favour of insufficient financial remuneration, as one of the three major causes of corruption. Furthermore, respondents substantiated their emphasis on economic causes of corruption while answering the Q 12,13 and 29 (which are explained later in the section regarding financial status and probability to indulge in corruption). Most of the respondents while answering the open-ended question quoted various incidents indicating insufficient financial means as the most important reason for bureaucratic corruption.<sup>112</sup>

Monetary causes were followed by lack of accountability (SS 68), discretionary powers (SS 66), and weak moral values (SS 46). Lack of accountability was also recorded as a HFC (with a SS of 85); by the respondents in answer to a question concerning the role it plays in spread of corruption (Q 15). Almost 85 per cent of the respondents rated lack of accountability as a major cause of corruption from 1 to 5 on the scale, indicating its significance from very important to important. Furthermore, it was also viewed as the most important cause (with SS 72) for widespread corruption in certain notorious institutes like the Police (see next section on institutional causes). Paradoxically, when it comes to causes of low corruption in certain institutions, effective accountability falls down to the level of LFC with a score of 35.

Discretionary powers of the public agents, another important HFC, proves much more lethal, when coupled with the lack of accountability. This combination can result not only

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<sup>112</sup> For an example, one can refer to the views of one respondents quoted under the Heading No. 1.5.1.2 in Chapter 1.

in unnecessary delays but can also lead to unnecessary policy interventions. Studies conducted by Ales and De Tella (1999) and Treisman (2000) also report unnecessary policy intervention and policy distortion as a strong cause of corruption, conversely, they are ambiguous about the direction of the casual relationship.

It is noteworthy that weak moral values were also reported among the HFCs (SS 46), while at the same time cultural influences (SS 16) were not considered as a significant factor in agent's predilection towards corruption. This comparison reveals that in the respondents' perception weaker moral values of agents are not influenced by their cultural surroundings rather they are independent of that.

#### 5.4.1.2 Low Frequency Causes

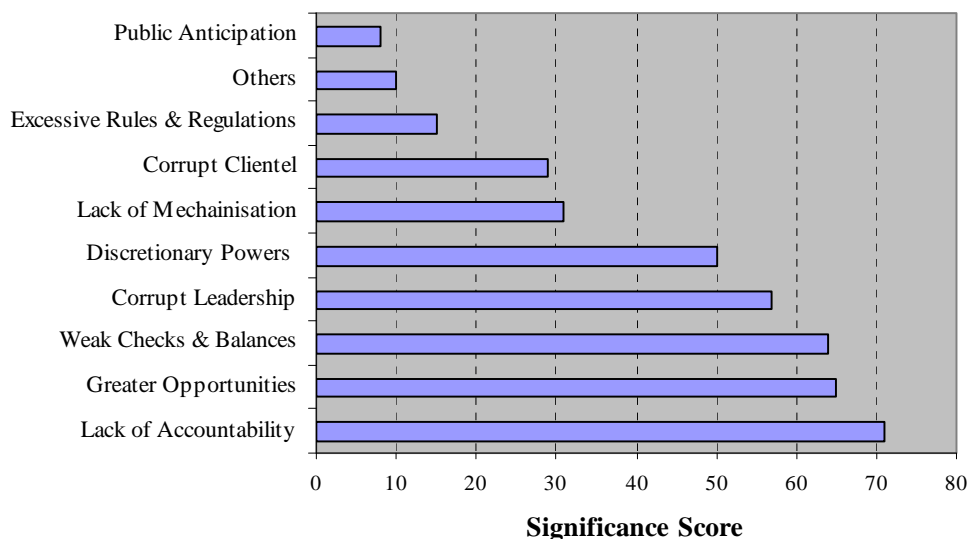
The nature of causes falling in the category of LFCs was quite unexpected (because of its deviant from other studies/ general assumptions), especially the low priority given to the level of education, as it was given the last slot at an aggregated priority list. This might be because minimum level of education for entering the civil service in Pakistan is at least a bachelor degree. It is obvious that respondents did not think about the quality of education in Pakistan. This perception of agents shows a disagreement with the result achieved by Evan and Rauch (2000), in their investigation of relationship between merit-based recruitment and the level of corruption in 35 developing countries. The authors found out a negative association between the prevalence of corruption and the recruitment index, which was based on the education level of the officers and their entry to civil service through a formal competitive examination.

In public servants perception, institutional structures and the excessive regulations or the red tape have equal significance, as a major cause of corruption (both factors achieved SS of 31 each), closely followed by the role played by a weak and dependent judiciary (SS 30). Contrary to a dominant academic belief (La Porta et al 1997; Treisman 2000; Sandholtz and Taagepera 2005) cultural influences (SS 16) were not given any prominent position in the core causes of corruption. Peer pressure (SS 14) was also given considerably low priority as major causes of corruption.

### 5.4.2 Institutional Causes of Corruption

According to the following figure, lack of accountability, greater opportunities, weaker system of check & balances, corrupt leadership, and discretionary powers incompatible with financial remuneration of the public agents are the perceived HFCs for deep rooted and systemic corruption among Police, Land Revenue Authorities, Income Tax Department and Customs. Viewed closely, the data analysis reveals that most of the HFCs are the ones related with the institutional set-up of these organisations or departments. All the five major causes could be addressed by effective restructuring of these institutions on the lines of Motorway Police.

**Figure 8 Causes for Corruption in Most Corrupt Institutions**

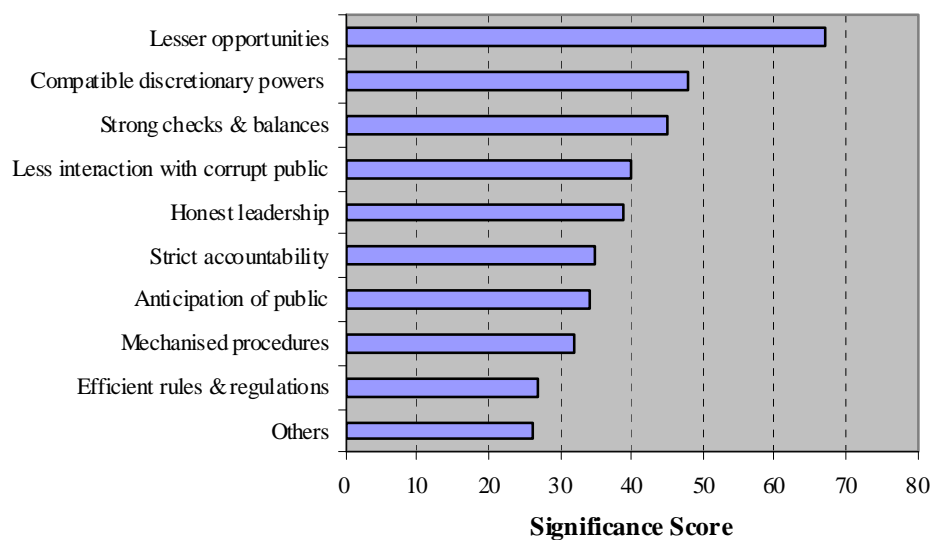


Lack of accountability, weak checks and balances, and discretionary powers are specifically the causes, which could be removed by administrative restructuring, without causing much extra burden on the national exchequer. Reduction of opportunities available to agents will demand a visionary approach, though procedural mechanisation could help considerably in this regard. Another major cause, corrupt leadership, could not be properly handled without political will and across the board and exemplary accountability.

Interestingly, when viewed parallel with the reasons, recorded for the lesser level of corruption in certain institutions, it becomes evident that reasons could be divided again

into two broader categories of HFCs and LFCs. According to the following figure: lesser opportunities, discretionary powers compatible with financial remuneration, strong checks and balances, and lesser interaction with corrupt public are the perceived HFCs for lower level of corruption in Motorway Police, Education, and Health sectors. The role played by stronger and honest leadership in lower corruption of these institutions, just falls short of being a HFC with a total significance score of 39. LFCs for the same category include strict accountability, anticipation of public, efficient rules and regulations, mechanised procedures and others.

**Figure 9 Reasons for Lesser Corruption**



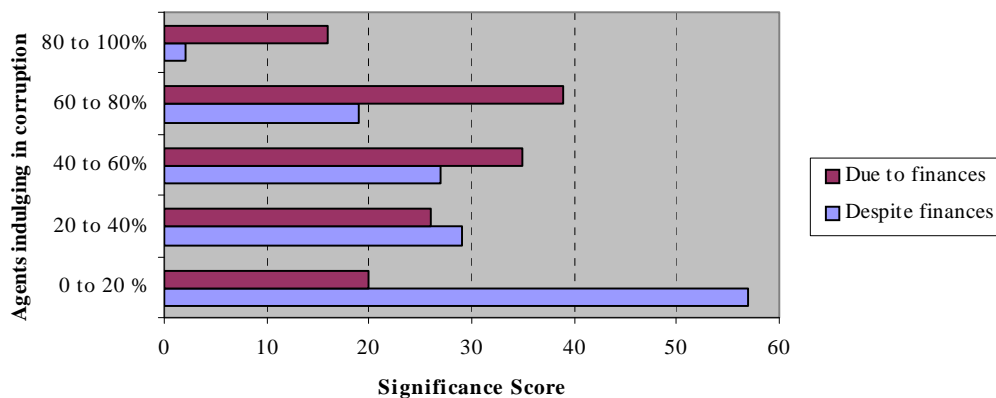
It is important to note the difference between discretionary powers of the public agents, which were perceived as HFC in case of core causes of corruption, and the discretionary powers compatible/incompatible with the financial remunerations, which is reported as HFC in case of institutional causes of corruption. The latter tends to emphasise institutional policy and structures, which deals with the delegation of powers to different tiers of bureaucracy. It underscores the point that economic deprivation *per se* is a strong motivator for indulging in to questionable practices; and providing agents with the means to compensate their financial shortfall, by undue use of their discretionary power is not a wise policy. As in international politics, states with military might but without the backing of strong economy are bound to fail sooner or later; similarly, in domestic

politics excessive discretionary powers without sufficient financial support are bound to foster corruption.

### 5.4.3 Economic Causes of Corruption

Based on the personal observations of the author, three more questions (Q 12, 13 &29) were added in the questionnaire for deeper investigation of the economic causes of corruption. Respondents were asked, what percentage of individuals, with sufficient financial means and without adequate financial means, would indulge in corruption and corrupt practices.

**Figure – 10 Financial Status and Corruption**



Their responses depicted in the above graph clearly show a significantly inverse relationship between the financial means of a public agent and the probability of his being corrupt. Almost 65 per cent of respondents think that 0 to 40 per cent of public agents will indulge in corruption, despite having sufficient financial means, while the same number of respondents feels that with insufficient financial means the number of individuals committing corruption would rise from 40 to 100 per cent. Interestingly only 1.5 per cent of the respondents feel that despite having sufficient finances 80 to 100 per cent of the agents will indulge in questionable deals.

This trend of responses also indicates that respondents have given a realistic perception of the situation without being a prey to idealistic expectations forgetting the diversity of human nature. As a significant proportion of 41 percent thinks that even with sufficient means around 20 per cent of the public agents will indulge in corrupt practices. This shows that public agents in general agree with some of the leading scholar's on the subject that 'optimal amount of corruption will not be zero' (Klitgaard 1988). One respondent, while quoting the various instances of corruption and substantiating the above point, expressed following views:

In financial institutions like Banks, despite drawing colossal salaries a number of officers were involved in trading of foreign currency, sanctioning financial limits on bribe, and accepting commission from insurance company for referring cases for insurance of hypothetical stock or import.

A young mid-level officer from Central Board of Revenue quoted these views in Islamabad during the survey of bureaucracy in May 2007.

The validity of the hypothesis, regarding economics being a major cause of corruption, was further checked through Q 29, in which respondents were asked to rate the statement, on a scale of 1 to 10, that *if salaries of public officials are sufficient to meet their basic needs they would not indulge in corrupt practices*. The answers to this question again depict a consistency in the perceptions of public agents, regarding the significance of economics as a major cause of corruption. Once again almost 73 per cent of the respondents chose financial remuneration as a HFC in the spread of corruption. About 85 per cent of the respondents ranked the above statement from 1 to 5 (where 1 was complete agreement and 10 was complete disagreement).

#### **5.4.4 Developmental Causes of Corruption**

At times it is difficult to establish causality between corruption and various aspects of development. Numerous economic studies of corruption have investigated the relationship between corruption and investment (Mauro 1995: 1997), corruption and economic growth (Tanzi and Davoodi 1997), corruption and foreign direct investment (Wei 2000; Lambsdorff 2005), corruption and net capital imports (Lambsdorff 2003), and

corruption and per capita GDP (Hall and Jones 1999; Mauro 1997; Mo 2001). When public agents were asked to define the relationship between corruption and development, 35 per cent of the respondents considered corruption causing slow development and only 9 per cent of the respondents considered lack of development as a cause of corruption. Interestingly the numbers of individuals thinking that corruption and lack of development have a bilateral relationship, means both cause each other, were considerably high; about 45 per cent of the respondents agreed with the proposition.

The analysis of these responses suggests that it is safer to assume that in majority of the agents' view, lack of development or slow growth is not a cause of corruption. The majority of the agents rather believe in the presence of a vicious cycle of corruption and slow development, where both are reinforcing each other. It is noteworthy that 95 per cent of the respondents believe that the pace of development is slow in Pakistan but only 35 per cent attributed this to corruption. This signifies the fact that agents try to underplay the impacts of corruption, at least its impact on the overall development of the state.

#### **5.4.5 Social Causes of Corruption**

An exhaustive study of social causes of corruption is not only beyond the scope of this research, but is also outside the parameters of political science; any such study will belong to the discipline of sociology or social psychology. Nevertheless, certain aspects of social causes, which are inevitably linked to the role of public sector corruption, were incorporated in the survey to enhance the understanding of the phenomenon on a deeper level. Questions no. 16, 17 and 18 were related to the social aspect of corruption, in which respondents were asked to: gauge the role the general public plays in the widespread corruption of the public sector (scenario A); comment upon their motivation to join civil service (scenario B); and to agree/disagree with a hypothetical statement, build to ascertain the moral standards of the respondents (scenario C)

Regarding the involvement of the general masses in the public sector corruption, it was intriguing to find out that almost 59 per cent of the respondents believe that the public forces the officials to be corrupt by offering bribes for shady deals. This view was somehow in congruence with their perception that society accepts and condones



corruption (which was rated with a mean score of 5, indicating views falling between agreement and disagreement).

**Table 11 Social Causes of Corruption**

<i>Scenarios</i>	<i>N</i>	<i>Mean</i>	<i>Std. Deviation</i>
A- Public induces corruption by offering bribes	137	5.20	2.461
B- Lack of transparency induces people to join bureaucracy	136	4.90	2.798
C- 99 per cent corrupt individuals are a justification for remaining 1 per cent	136	6.27	3.461
Valid N (list-wise)	135		

As is evident from the above table, the level of agreement to the statement that, *lack of transparency induces people to join bureaucracy* is the strongest, among all the three scenarios, as about 65 per cent of the respondents have expressed their agreement with the statement. The most astonishing result was regarding the third hypothetical scenario, in which respondents were asked to agree or disagree with the statement that *99 per cent corrupt individuals in an institution is a justification for the remaining 1 per cent to be corrupt as well*. Though mean score of 6.3 shows a tendency towards an aggregate disagreement with the statement, a closer analysis of the responses reveals that more than 44 per cent of the respondents agreed with the statement. This speaks very clearly for the moral make up of the civil bureaucracy in the country.

Another explanation for the results of scenario C could be that in a predominantly corrupt environment, individuals consider solo crusade not worth the risk; corruption would be a systemic problem for them, which demands rectification at a much broader rather than an institutional level. Showing resistance in such an environment would certainly be asking for trouble; secondly, individuals can have the impression that their solo fight would only make their lives miserable without resulting in any improvement of the institution. In agents' perception, this enormity of the problem renders any individual resistance as useless. Above argument can further be supported by various incidents quoted by different respondents while narrating their experiences of corruption and corrupt

practices. The following extract, narrated by a respondent, clearly depicts the fate of various lone crusaders.

I was taxation officer at Faisalabad and at income tax office corruption was a matter of routine for the sake of running of the office, because from the above no fund was trickled down to run the office. Therefore, the officials used to ask for bribes from the taxpayers; in due course they (taxpayers) get their illegal activities done, i.e. tax evasion. I conveyed the message upward, and as a result I had to get myself transferred from Faisalabad to Islamabad.

A young male officer from Faisalabad shared his personal experience with the author during the survey of Finance Division in April 2007.

#### 5.4.5.1 Co-relational Analysis of Social Causes

A co-relational analysis of the three scenarios revealed a significant result, indicating that all the three scenarios have strong correlations among themselves. A strong positive correlation was reported between the scenarios A and B, with a correlation coefficient of .222 where  $p < 0.01$ , and between the scenarios A and C with a coefficient of .284 once again with  $p < 0.01$ ; this signifies that the respondents who believe that the public induces corruption by offering bribes, also believe that lack of transparency induces them to join bureaucracy. Furthermore, the respondents who believe that public induces corruption also believed that 99 per cent corrupt surroundings is a sufficient justification for their own corruption.

The following commentary is an in-depth analysis of these correlations. A closer look brings forth a general trend among the civil servants of Pakistan, who believe that bureaucracy is an institution sans transparency or accountability with plethora of opportunities for making a fortune without much effort and risk. In an authoritarian society (which most of the traditional societies in general are and Pakistani society in particular is), the social status and prestige attached with public posts, coupled with enormous opportunities for making money, without any apprehension of social or institutional repercussions, make them much sought after positions. Most of the agents join public service not for serving the public, rather for serving their own ulterior motives.

For the majority of the fresh entrants to the corridors of power *raison d'être* of their joining civil service is: power, social status, and money. A small minority who joins public service for serving the public becomes a victim of laws of conformity. Conformity is a big human weakness and the social impact theory of social psychology delineates exactly when people are most likely to conform to normative pressures. According to this theory, conforming to social influences of other people depends on three factors: 'strength, means how important is the group of people to one; immediacy, referring to the closeness of the group to one in space and time; and number, meaning how many people are in the group who is trying to influence' (Aronson et al 1994:267). Analysing fresh entrants of civil bureaucracy according to the criterion of social impact theory, we observe that all the three vital contributory factors, i.e. strength, immediacy and number of the influencers, are significantly strong and influential for a fresh civil servant to succumb to the norms of the system. Consequently, the glass of public service in most of the developing countries is filled to the brim with the liquor of maladministration, mismanagement, inefficiency and corruption.

Another aspect of the above correlation, which needs further explanation, is scenario A. Why do public agents believe that the public induces corruption by offering bribes? The answer to this question again lies in the complexities of the human nature. Being a social animal, justifying one's action in order to feel good about one's self is one of the basic human desires. According to social psychology, 'one of the most powerful determinants of human behaviour is the need to maintain a high level of self-esteem (ibid: 112). Public servants feel good about themselves through various rationalisation and justifying techniques. As the data reveals, public servants rationalise and justify their actions by shifting the responsibility through believing and portraying that general masses induces corruption by offering them bribes. Secondly, they believe that the whole system is corrupt and if every one around me is corrupt, it's a justification for me to be corrupt as well. In this way agents shift the blame from their shoulders to the shoulders of society and the system of which they are a part. Another shade of human behaviour is important here; the account of the happily challaned columnist, in the coming chapter, clearly expresses that an ordinary citizen feels intimidated and fears the more humiliation the longer the encounter lasts. Offering him a bribe is not well described with 'treating this

as normal', but can be a rational choice attempt, though a painful one, to get through all this as fast as possible.

The above narration might have given the impression that public servants are corrupt inherently and they are adamant on indulging in corruption and corrupt practices; but this would not be a true representation of the reality. In next chapter we will see that how the same public servants who were corrupt and inefficient in general bureaucratic system turned into efficient, hard working, honest and true public servant, in the real sense of the word, when placed under slightly different circumstances. The same actors, in the same society, under similar social and traditional pressures start behaving so differently from the rest of their counterparts that they became almost an anomaly in the entire social and bureaucratic set up of the country.

## **5.5 Conclusion**

We have reported, discussed, and analysed, in the preceding pages, the perceptions of agents regarding prevalence and causes of corruption in a developing country like Pakistan. We saw that, though inherently the same, agents' perception regarding prevalence of corruption in the public sector is slightly different from the general perception of the phenomenon. We also noticed that agents assign considerably different significance to various causes of public sector corruption, when compared with the generally perceived causes of the same phenomenon forwarded by the academic world.

Initially we explained why it is difficult to measure the real level of corruption in any given state, and why perception of corruption is widely used and considered as a good proxy of the real level of corruption. We briefly discussed the divergent views on the use of perception as a proxy for real level of corruption, using the example of a study done on Russia to find out the difference in the perception and experience of corruption in the country. Besides, we also noted the claims of Transparency International regarding the authenticity and accuracy of perception based corruption indices.

However, the *raison d'être* of this study is to evaluate the perceptions of agents, regarding causes and control of corruption in developing countries or transitional societies; and not to establish or verify the level of corruption in Pakistan or any other developing country.

Consequently, this debate of validity or invalidity of perceptions as a proxy of real level of corruption, does not affect the legitimacy or strength of the subject study. Nevertheless we have tried to establish the validity of perceptions as a useful base not only for deeper analysis and investigation, but also for an understanding of the setup, which any anti-corruption policy must target. We also noted that perception is at times as deleterious as the real problem.

During the process of data analysis we scrutinised and evaluated the perceptions gathered from 137 public agents belonging to 32 different departments of federal bureaucracy of Pakistan. We found out that federal agents' perception regarding prevalence of corruption in bureaucracy and Pakistan is more or less in congruence with the perceptions of the local public as well as the international experts of the region. Conversely, we also noticed that agents belonging to a well-structured institution rate the bureaucracy as more corrupt than Pakistan in general. We also calculated that there is a significant negative correlation between the age and experience of the respondents and his/her perception of corruption in the country. Furthermore we noticed a paradoxical trend according to which the perception of corruption increases with the upward movement in the ranks of bureaucracy.

To our surprise we discovered that agents' perception regarding corruption being a cultural problem is mixed between agreement and disagreement with a significance score of 5.74 on a scale of 1 to 10. However, their level of agreement with corruption being an institutional problem is significantly stronger with a score of 4.56. Cross comparison of the data also suggests that agents belonging to a well-structured institution believe more strongly in corruption being an institutional problem, than their counter parts in normal bureaucracy. Examining the societal reaction to corruption, we discovered that despite rejecting and abhorring corruption, according to most of the agents, society tolerates corrupt individuals. However, toleration implies both: behaving in one way, but suffering from it or disapproving it at the same time We also realised that variables like: age, gender, marital status, number of dependents, or the geographical origin do not have any significant impact on the agents' perception regarding prevalence of corruption in the country.

When it comes to indexation of most and least corrupt institution, we saw that the perceptions of agents are almost the same as those of the general public; as agents rated Police, Land Revenue and Income Tax as the three most corrupt institutions in the country. On the other hand a sister institution of the Police, i.e., the Motorway Police, was rated as the least corrupt institution in the country, distantly followed by the departments of education and health. It was interesting to note that police's significance score for being most corrupt institution was 111, while the score for Motorway Police was 112 but in opposite direction, indicating that in agents' view, the police is as corrupt as the Motorway Police is non-corrupt or vice versa.

In terms of causes of corruption, this chapter delineated the perceptions of agents into five basic categories: primary causes, institutional causes, economic causes, developmental causes, and social causes. In order to facilitate understanding and simplify the analytical process, causes were divided into two basic categories: high frequency causes (HFCs), and low frequency causes (LFCs). Data analysis revealed that in agents' view insufficient financial remunerations is the primary most HFC of widespread corruption in the public sector of the country. Lack of accountability, discretionary powers of the civil servants, and weaker moral values of the agents are other primary HFCs for rampant bureaucratic corruption. Surprisingly, factors like institutional structures, peer pressure, and lack of education were given significantly low priority among the list of primary causes of corruption.

This chapter further analysed the institutional causes of corruption; under this category those causes were discussed which were selected by the agents as their reasons for rampant corruption in most corrupt institutes like the police. According to agents' perception lack of accountability, greater opportunities, weaker system of check & balances, corrupt leadership, and discretionary powers incompatible with financial remuneration of the public agents are the major causes of corruption in institutions like Police and Land Revenue.

As economic were quoted as the primary most reasons for extensive corruption, we further analysed the role financial causes play in the spread of corruption in bureaucracy. We noticed a consistency in agents' perception regarding the vitality of economic causes of corruption. Almost 65 per cent of the respondents feel that 40 to 100 per cent of public

agents with insufficient financial means will indulge in corruption; while the probability of agents indulging in corruption despite sufficient financial means drops down drastically.

Regarding the nexus between corruption and development, most of the agents believed that there exists a symbiotic relationship between the two, both thrive on and cause each other; moreover, lack of development is not necessarily a cause of corruption. However, most of the agents hold the paradoxical belief that despite having a very slow rate of development and perceived as a predominantly corrupt state, Pakistan still can be a developed country (Q 20). Such ambivalence could either be attributed to wishful thinking, or to the pigeon's dilemma, according to which, closing your eyes to a clear and present danger will render the danger cease to exist.

Finally, we analysed the social causes associated with rampant corruption in the state. During the course of analysis we discovered some very interesting correlations between the various aspects of social perception of the agents. We noticed that most of the public servants tend to shift the blame to an immoral public, which induces corruption by offering them bribes for settling illicit affairs. We further discovered that lack of transparency and accountability in the civil bureaucracy induces many people to join the institution. An astonishing finding was that almost 45 per cent of the agents considered overwhelmingly corrupt surroundings to be a justification for the remaining minority to be corrupt as well.

We further analysed these correlations from a socio-psychological perspective and noticed that if a major part of any institution will be corrupt, it will render the minor part of the institution to be corrupt as well; the law of conformity will prevail over the minority. We also discussed at the end of the chapter that despite being corrupt, public servants want to feel good about themselves, and forwarded this as explanation for why they tend to shift the blame on internal as well as external factors.

Approaching towards the end of this discourse we have so far learnt that: rational choice institutional approach can be utilised for arresting the surge of corruption in the developing world; and that corruption is more dysfunctional than functional for the socio-economic development of a state; and despite a huge controversy about the meaning of the term, corruption signifies promotion of selfish self interest at the expense of collective

good. We have also seen how various institutions in a developing state and transitional society like Pakistan have contributed in the growth of this malice; and lastly we have discovered the causes of this widespread corruption with the help of public agents perceptions. In the process we have verified the one side of our institutional model and have seen how optimised decision out put of a rational actor in an unstructured environment will lead him to corruption. In the end we will empirically verify the validity of other side of our model and the neo institutional theory, developed in the start of this study, by applying it to structural institution in a developing state and transitional society like Pakistan.

In the coming chapter we will see how similar agents, belonging to the same socio-political environment and owing allegiance to the same traditional culture, behave, when placed in the Weberian style of bureaucratic set-up under a well-structured institutional environment. We will conduct an in-depth analysis of the institution of Motorway Police to find out the reasons for their anomalous behaviour in terms of efficiency, transparency, and lack of corruption. In addition to discourse analysis and observatory method we will further investigate the causes of such aberrant behaviour with the help of the perceptions of the agents belonging to the Motorway Police.



## Chapter 6

### Controlling Corruption: An Institutional Approach

This chapter will focus on the applied problem of how to improve governance and how to control the menace of corruption in transitional societies and developing states. While emphasising on the need to identify the best practices for controlling corruption, Robert Klitgaard suggested that knowing more about ‘successful performers’ could be much valuable from the perspective of theoretical research as well as the applied problems of the developing world (1988:202-203). I personally believe that there could be two possible approaches to embark upon this quest: first, to study some corrupt institutions and try to investigate why they are corrupt; and second, to identify some institutions which are not corrupt (successful performers in the words of Klitgaard) and try to unearth the reasons for why they are not corrupt.

This study employs both of the above-mentioned techniques. In the previous chapter we have investigated and analysed the causes of widespread corruption in the civil bureaucracy of Pakistan. This analysis helped us in identifying an anomalously efficient and non-corrupt institution in an otherwise corrupt civil bureaucracy of Pakistan. National Highways & Motorway Police (briefly expressed as MP in this dissertation), despite being a sister institution of general police, has been empirically established as the least corrupt institution of Pakistan. This chapter will investigate the reasons for this unusual institutional behaviour, and will try to identify the factors, which are predominantly responsible for this ‘deviant’ behaviour on the part of Motorway Police. This professional force is such an anomaly, in otherwise extremely corrupt bureaucratic culture, that one cannot help wondering how existence and sustenance of such an institution is possible in a state like Pakistan. The exceptional character of MP can be easily ascertained by the following excerpt published in the leading English daily of the country, *Dawn*,:

I sincerely believe like every Pakistani that the present government is genuinely committed to good governance and eradication of corruption. These are difficult tasks but achievable provided realistic and target oriented plans are made. There is hardly any model available to follow in the civilian set-up, except probably one

island of efficiency, integrity and public services. I am referring to Pakistan Motorway Police. It will be educative and beneficial to find out. (a) How serving traffic policemen inducted from all Provincial Police set-ups were made to shed chronically bad habits through just 6 months training and motivation? (b) Why in 3 years there has not been any complaint of corruption against Motorway Police despite being under public eye day and night? (c) How a new culture of policing was evolved? (d) Why millions of motorists consider this force as a symbol of shelter, relief, integrity and conscientiousness? (e) Why this level of excellence has been sustained, rather improved over the last 3 years? When I inquired how this Motorway Police works on merit in this era with the same Police jawans who were taken from the district police, the answer given to me was very simple ‘there superior officers have no demand and always back them once they are not incorrect. They themselves are honest, conscientious and straight forward and do not compromise on principles. If one takes Motorway Police as model and tries to emulate it in reforming the ill reputed Police and all other avenues of civil administration success is bound to meet one half way.

(Soofi 1999)

The questions raised in this article are the very questions, which come to every mind familiar with the ground realities of Pakistan in particular and the transitional societies of the developing world in general. This dissertation, in general, is the study of circumstances, which render one to be astounded on any display of professionalism, integrity and honesty from the public servants in the developing world; this chapter, in particular, provides answers to these questions with the help of an in-depth qualitative and quantitative analysis of the institution. The first part of this chapter will delineate the origin and institutional history of the MP, along with a detailed account of: the organisational make up of the institution; constituents of the institution; marked novelties inherent in the administrative and economic design of the institution; and the social image of the institution. This will help us in identifying the vital ingredients of a well-structured institution, which play a major role in its exemplary and unusual performance. The second part of the chapter will analyse the views of the agents belonging to this institution, about the causes and the control of corruption, and will try to locate the

differences in the perceptions of MP and bureaucracy, regarding vital aspects of the campaign against corruption. The third part of the chapter will analyse the self-perceptions of the MP's agents regarding: the performance of the institution; the level of corruption in the institution; and the factors responsible for minimal corruption in the Motorway Police.

## **6.1 National Highways & Motorway Police**

NH&MP is known as probably the only symbol of efficient, professional, dedicated and corruption free institution in Pakistan. The National Accountability Bureau as well as the National Anti Corruption Strategy termed the MP as perhaps the only corruption free institution in the country. The last prime minister of Pakistan, Shaukat Aziz, declared the MP as an 'island of excellence', and then president Gen. Musharraf called it a role model institution, and the government decided to extend this successful experiment to all national highways in 2001.

### **6.1.1 Origin and History**

The Motorway Police was established in 1997 to cater for the policing needs of the first and newly built motorway of the country from Lahore to Islamabad. The objective was to raise a modern, competent, and dedicated police force meeting the international standards of professionalism. The project of raising this efficient police force was conceived, acted upon and completed in a record period of six months, by a dedicated team of few officers headed by Iftikhar Rashid, the Inspector General of the motorway police. It is pertinent to record his comments on this experience:

Policing on the Motorway marked the advent of a new culture of assistance, shelter, integrity and efficiency in the police department. Of all the tasks, the most difficult is moulding human beings. This was achieved on the Motorway where serving police officers exposed to all kinds of misdemeanours were transformed into honest, dedicated, God fearing and efficient officers.... For me, raising this force from a scratch and operating it has been the most rewarding experience of my 35 years career. (Rashid 2003:3)

One might have expected that very brilliant and dedicated new staff, with a promise of competitive financial compensation, was hired; but the most significant aspect about the creation of this new force was the fact that it was raised with the assistance of already available staff in the different provincial police departments without any fresh hiring. As is the custom in public departments, when one organisation has to lend some of its officers to any other organisation, the axe mostly falls on the undesirable and unworthy elements of the lending department. The Motorway report of 2003 highlights this fact as following:

It will not be irrelevant to mention here that no fresh recruitment was made, and average and below average police officers from the provinces were taken on deputation and were put through intensive training and motivational programmes. All efforts were made to mould this force as public servant. The result of this great venture astonished everyone... it is also an astonishing fact that the officers who were allegedly indulging in heinous malpractices in provinces have become noble, honest and efficient. It has been established beyond any doubt that given the proper working conditions and good leadership, our provincial police force can perform wonders.

(NH&MP Report 2003:4)

This newly collected police force had gone through a rigorous training program both in Pakistan and abroad. International collaboration was also used for domestic training in which trainers from UK and Nordic countries were invited to help Pakistani trainers in building the new police force. In order to ensure international standards of professionalism foreign training courses with the South Wales Police, UK and German Police, Kiel were also conducted. It was this extensive training and subsequent highly professional performance of the MP staff, which forced the British Motorway Police Trainers to remark that the new force was even better than the British Motorway Police.<sup>113</sup> According to personal observation and experience of the author, this commendation is neither exaggerated nor out of place; as while dealing with the MP, it is difficult to convince oneself that one is dealing with the Pakistani police.

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<sup>113</sup> This fact has been reported in Motorway Police's Award Ceremony Report of 2003 as well as their official website: <http://www.nhmp.gov.pk/history.html> ; sighted on 20th September 2008.

### **6.1.2 Organisational and Administrative Structure of the Motorway**

#### **Police**

The Motorway Police started its operation as a medium range organisation, established to police around the 400 km long, newly constructed motorway joining Islamabad and Lahore. But with the passage of time, and largely considering the unprecedented efficient and honest performance of the institution, its sphere of influence has been increased gradually to monitor and police all national highways of the country. Consequently, in 2001 the name of the organisation was also changed into National Highways & Motorway Police. Presently NH & MP's area of jurisdiction spans over 2000 km of highways and motorways in all four provinces of the country.

Organisationally an Inspector General of Police who has his head quarter in Islamabad heads the MP. Administratively the institution is divided into four zones: North, South, Central, and Motorway; each zone is headed by a Deputy Inspector General of Police. The total sanctioned strength of the department at the end of 2006 was 5295 personnel, while the total working strength was 4339.

Legal jurisdictions or responsibilities of the MP involves: maintenance of law and order on highways and motorways, regulation and control of traffic, providing assistance to the commuters in case of need, inspection and installation of road equipment, and removal of encroachments from the highways and motorways.

### **6.1.3 Institutional Features of the Motorway Police**

Institutional characteristics of any public sector institution could broadly be divided into two categories: administrative and economic characteristics. Though the MP is a part of civil bureaucracy and public sector institution, yet there are various factors, which could be identified as peculiar to Motorway Police only. These features of the MP render the department a unique institutional structure, contributing significantly to the efficient and honest output of the institution. Though, these features are basics of any public institution in many developed countries of the world, yet they are unique in case of Pakistan.

The most significant of these features is the economic layout of the institution. Actors belonging to the MP receive around 75 per cent higher financial remuneration, as

compared to the normal public sector posts. Economic reasons are rated, to be the most significant contributor to corruption and corrupt practices, by most of the members of the civil bureaucracy as well as the Motorway Police. However, the important point is that, though higher than average, the remunerations of the MP are not that high – in a sense of fully compensating the fortunes missed by refraining from gains through corrupt behaviour –, to fully explain the ‘aberrant’ behaviour of the institution, in comparison to civil bureaucracy.

The second distinguishing feature of the MP’s administrative structure is a transparent and strictly merit based recruitment policy. To ensure this, simultaneous written and physical tests, which are video covered, are held in the various cities of the country. After this initial screening, successful candidates are interviewed by a committee headed by the Inspector General of Motorway Police. To further ensure a transparent and merit based induction, the vigilance teams of Pakistan army monitor the recruitment process.

After a qualified selection the most significant step in moulding a young graduate into a professionally capable and morally upright officer is the pre-job training. The next striking institutional feature of the MP is the role of training; as members of the force are regularly sent on national as well as international trainings in countries like UK, France, Germany and United States. Honest and professional output coupled with attitudinal change and inculcation of strong moral values, is the cornerstones of the MP’s training program. More importantly, quality instruction is assured through training of the trainers, who are trained within the country and are also sent on capacity building courses, conducted by International Criminal Investigation Training Assistance Program (ICITAP), USA.

The fourth institutional novelty of MP is the availability of modern and reliable equipment like: patrolling cars, rescue vans, video and hand held radars, and arms and ammunition. Despite a limited budget all this has been made possible with the help of prioritised and professional resource allocation without any bias. As most of the other institutions, especially the police, suffer from lack of ‘hardware equipment and facilities,’ necessary for the proper and efficient functioning of the institutions.

The fifth administrative characteristic is the reasonable working hours. Because the force works around the clock to ensure maximum efficiency, workload is divided into three

shifts so that every officer would be on duty for not more than 8 hours. This specially becomes important when compared with the working hours in the normal provincial police departments where an official could be on job up to twenty four hours a day.

The sixth distinguishing feature of the MP is the reward for efficiency and honesty. Every year exceptional performers are socially commended, as well as financially rewarded, generating a positive sense of competition to perform well among the force members. This is a factor, which is dearly missing from most of the other public sector institutions, and which contributes significantly towards the non-corrupt institutional culture of the MP.

The seventh administrative feature of the Motorway Police is the availability of adequate accommodation facilities for the members of its force. Actors belonging to MP are provided either with official accommodations at their posting stations, or they are provided with sufficient funds to secure private accommodation for themselves and their families. This feature, too gains significance when compared with normal police departments where most of the working force is provided with accommodation almost of sub-human level.

The eighth important administrative distinction is that the MP tries to genuinely cater for the needs of its officers and officials, through different welfare programmes, designed to help the staff in case of need. Some of these programmes include: health policy, welfare policy, insurance policy, and compensation package for the families of officials who die in the line of duty. Though, similar programmes are available in other institutions, yet the difference is the implementation of designed policies, in their true spirit, without prejudice to any group or class in the institution.

The above-explained institutional features are primarily responsible for a standalone professional and honest institution in an otherwise corrupt environment. The excellent professional performance and a positive social image of MP, explained in the following sections, could easily be attributed to these unique institutional features of Motorway Police as an institution.

#### **6.1.4 Performance of Motorway Police**

After 11 years of its inception and manifold increase in its workforce as well as responsibilities, the Motorway Police is still considered as the most efficient,

professional, public friendly, and non-corrupt institution in the country. It has introduced a hitherto unknown culture of friendly policing in the country. National Accountability Bureau and National Anti-Corruption Strategy both termed the MP as the only corruption free institution in the country. NACS report 2002, noticed that, ‘there is hardly an arm of government which does not suffer acutely from corruption, with the exception of Motorway Police’ (2002:6). National news and print media, non-governmental organisations, anti-corruption agencies and general public from all walks of life have lauded the MP’s performance alike. The Asian Development Bank called the success story of the Motorway Police a ‘miracle’ in a third world country like Pakistan.<sup>114</sup> A brief summary is produced here to establish numerical evidence of the above-recorded opinions. All the figures presented in the summary are taken from official reports, briefs, and presentations of the Ministry of Communications as well as the National Highways & Motorway Police.

The importance of traffic police in states like Pakistan could be ascertained by the fact that after homicide, the single factor responsible for highest number of injuries and deaths in Pakistan is road accidents.<sup>115</sup> Motorway Police has made the highways and motorways safer and secure for the commuters, by round the clock, diligent surveillance. Crimes like robberies, car snatching, over loading of the good transporting companies, and over speeding by drivers causing fatal accidents have been reduced considerably. Secretary communications Mr Iftikhar Rashid, while discussing the role of NH and MP remarked that ‘the force has brought about a significant decrease in the accident rate, traffic violations, and serious crimes on our highways’ (2003:3).

The number of accidents on national highways and motorways has been reduced respectively from 983 and 211 in 2005 to 699 and 155 in 2006. While the average helps per day, rendered to commuters in times of need, have been increased from 2155 in 2005 to 2420 in 2006. Similarly, the number of tickets issued per day has also increased from 8181 in 2005 to 10850 in 2006. That might be the sad part of the story for some: the

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<sup>114</sup> A latest report published on 12th July 2008 in Daily Times, and was viewed at: [http://www.dailytimes.com.pk/default.asp?page=2008%5C07%5C12%5Cstory\\_12-7-2008\\_pg7\\_22](http://www.dailytimes.com.pk/default.asp?page=2008%5C07%5C12%5Cstory_12-7-2008_pg7_22) ; Sighted on 22nd September 2008.

<sup>115</sup> Fact given by, then, Prime Minister, Shaukat Aziz, on 28<sup>th</sup> January, 2006, at the inaugural ceremony of newly resurrected Islamabad Model Traffic Police; and reported by an English daily ‘The Dawn’, available at: <http://www.dawn.com/2006/01/29/nat18.htm> (sighted on 1st November 2008).



significantly increased number of tickets issued per day indicates that the majority of citizens are being coerced to give up their cherished but hazardous freedom of jumping red lights and over speeding.

The MP has not only made possible smooth and secure travel but it has also helped a great deal in combating the criminal activities on the highways and motorways. During 2005-6, the MP has arrested 352 criminals involved in various cases. The Motorway Police has also recovered illegal arms and ammunition from the possession of various criminal elements on the highways. During 2005-6, NH & MP successfully foiled 40 attempts of dacoities and robberies on the national highways. Since the MP has taken charge of national highways, the law and order situation on the highways of the country has improved significantly, especially in southern Pakistan, which was most vulnerable to highway robberies. Moreover, NH & MP recovered 198 stolen and snatched vehicles during 2005-6. It is pertinent to mention here that, the recovery of a stolen vehicle in Pakistan is an anomaly, because most of the vehicle stealing gangs work with the collaboration and complete knowledge of the local police. Apart from this, the MP has also been doing a noble job of reuniting lost children, found on highways and motorways, with their families and legal heirs; only in 2006 MP had reunited 217 children, of various ages, with their parents.

Improved security on the highways has contributed considerably to the economic activities in the areas around the highways, especially in southern Pakistan. Resultantly, industries, which were closed down because of unpredictable law and order situation, have started their operation again. In one district of Nooriabad in southern Pakistan, prior to 2006, only 33 industrial units were working, and after effective crime control by the MP, this number has increased to more than 80. Apart from these administrative activities, the MP has also helped in generating substantial revenue for the government, through effective and transparent penalisation of traffic violations on the highways. In this regard, MP collected, at an average, Rs.1,661,078 (\$ 27,684 at the conversion rate of 2005) as fine money per day. The total revenue collected during 2005 was, Rs.926,

605,647 (\$15,443,427). According to the IG Motorway Police, this figure for the year 2006 has crossed the limit of Rs.1.2 billion.<sup>116</sup>

### **6.1.5 Training and Spreading the Right Ethos**

All the new inducted members of MP, as well as the existing force, regularly go through rigorous training under the supervision of professionally trained trainers. MP has established a whole new training institute for this purpose. Where training is imparted not only to the MP force but other institutions like the Punjab Police and various city police are also sending their officers/officials to get professional training. This institute has trained 129 trainers since 2006, out of which 40 were the senior officers of Punjab Police, who were trained as instructors to subsequently coach 6000 newly recruited Traffic Warden of Punjab Police.<sup>117</sup>

Lately, in a major overhaul project of capital city administration, Motorway Police trained 400 officers of Islamabad Traffic Police. The result was a professional resurrection of city traffic police, which has turned into an equally efficient and corruption free work force. This revitalisation of capital traffic police has turned the force into a model traffic police armed with a new attractive outlook, increased numbers, modern gadgetry, better remunerations, and less duty hours. According to the author's personal observation, which is corroborated by many social interactions and news reports, Islamabad traffic police has started working on the same lines as MP, after going through this restoration and training by MP. Resultantly, there is a mushroom growth of driving schools in the town and their clients are mostly women who now, thanks to the prevailing security on the roads are feeling more confident to master the formerly chaotic traffic of the city. This fact substantiates that the original experience of MP was not just an experiment or something to boast with, rather it demonstrates the spread of positive influence and the pride in a new ethos, inherited from MP, which is already being witnessed on the streets of Islamabad.

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<sup>116</sup> IG Motorway Police Mr. Muhammad Raffat Pasha told this figure to the author in a personal interview conducted on 6th June 2007 in his Islamabad office.

<sup>117</sup> Detailed training ethos of MP could be seen at Appendix 7.

### **6.1.6 Social Image of the Motorway Police**

Commuters on highways frequently use terms like ‘guardian angels’ for the patrolling staff of the MP. There are numerous incidents in which, local as well as foreign travellers on motorways, have commended the professionalism, cooperativeness, and civility of the Motorway Police force in national newspapers. Here I would like to quote sentiments of one well-known columnist from a famous daily newspaper of Pakistan, as the views consummately encompass the feelings of an ordinary citizen of Pakistan.

Near Jhelum, the police stopped me. A smart officer got out of a beautiful highway police van, said hello to me and respectfully said, ‘Sir, you were going in the wrong lane, its illegal’. I smilingly replied, ‘I have just come to this lane’. He smiled back and said, ‘may be you are right, but I am watching you since last five kilometres’. I apologised laughingly. He shrugged, handed me the ticket and said in the same respectful tone, ‘ok sir, and please be careful next time’. I paid the fine, said good-bye to him, and resumed my journey; I remembered that he saluted me while leaving.

It was an amazing experience. Before this, several times I had come across police; I was also stopped several times by the traffic police, but I don’t remember that ever any police officer had given me so much respect, so much honour. Whenever I came across the police, they robbed me of that self-respect, which makes an eating and drinking, sleeping and weeping living being, a human being. In every police encounter my very idea of freedom and freedom of thought, which is the distinction of free people, got ruptured. In front of policemen, I always felt like losing that sense of pride, which independent people feel in their country; every time in my own country, in my own self, and in my own mind I became a stranger.

This happened for the first time that police and I were face to face, and neither my self-respect was ripped open, nor my sense of pride was hurt. For a long time I

was enraptured in a pleasant feeling, which seemed like a stranger to me; and for whom I was a stranger.<sup>118</sup>

(Chaudhary 2002)

It is not only the polite and friendly attitude of the Motorway Police staff, which wins them public support and respect, it is also their efficiency, integrity and professionalism which the general public finds very novel in any public institution. Another columnist expressed similar feelings in his following article:

First of all I was surprised to read the words ‘peoples friendly’ with the name of Motorway Police, but I was completely shocked when I read the whole content of the newspaper advertisement. It was written that Motorway Police has found a handbag from a bus, which met an accident on motorway on 18<sup>th</sup> August 1999. Apart from some medicines this bag contained various gold items including: one chain approximately 10 grams, a pair of earrings 5 grams, one pair of tops 3 grams, one ring almost 3 grams and two necklaces of various weight. Since then all these items are in the safe custody of Motorway Police. The advertisement was a request, asking the owner of these things to contact SSP Head Quarter with the proof of his ownership. This attempt of reaching the owner of this jewellery is worth enormous praise considering the fact that on such accidents, it frequently happens that prior to attending to the injured and dead, the so called ‘social workers’, gather on such occasions to firstly collect the luggage and valuables of the victims.

This has never happened that some injured or the family of any dead passenger would have recovered the luggage, specially the valuable items in their luggage, completely. Considering such situations, the police’s efforts to find the owner of that lost jewellery are not only worth appreciation but also quiet surprising. I specially liked this act of Motorway Police because the department has not even cared for its own expenses in this effort of bringing this jewellery back to its real owner.

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<sup>118</sup> This excerpt was published in an Urdu daily, *The Daily Jung*, 4th June 2002, and has been translated by the author

Dear friends, in these times of free marketing and computer technology, when we are lagging far behind other countries, it is most important to build the corporate image of any institution. Some times, the good name and a positive image of any institution becomes the reason for bringing it forward in the line of successful institutions.<sup>119</sup>

(Shahid 2000)

The social image of the Motorway Police can be ascertained from the above-narrated excerpts. Such an image is especially intriguing considering the social image of general police, which is exactly opposite of MP's image.

## **6.2 Perceptions of Motorway Police**

During the course of fieldwork, apart from surveying the federal bureaucracy, perceptions of officers/officials, belonging to the Motorway Police have also been obtained, facilitating an individual as well as institutional comparison, between a well-structured MP and a non-structured bureaucracy with regard to the causes and the control of corruption. Considering the mutually ensconced nature of causes and control of corruption, we would start with the perceptions of the MP, regarding widespread corruption in certain public sector institutions, and its comparison with the reasons for lesser corruption in their own institution.

As the number of respondents from the MP was 100, we have slightly altered the significance score, assigned for HFCs and LFCs; any category chosen by 30 or more observations will be considered as a HFC, otherwise, it would be termed as LFC. Secondly, wherever a comparison between general bureaucracy and Motorway Police has been given, to cater for the different sizes of the sample, numerical figures have been quoted in percentages instead of significance scores.

### **6.2.1 Motorway's Perceptions Regarding Institutional Corruption**

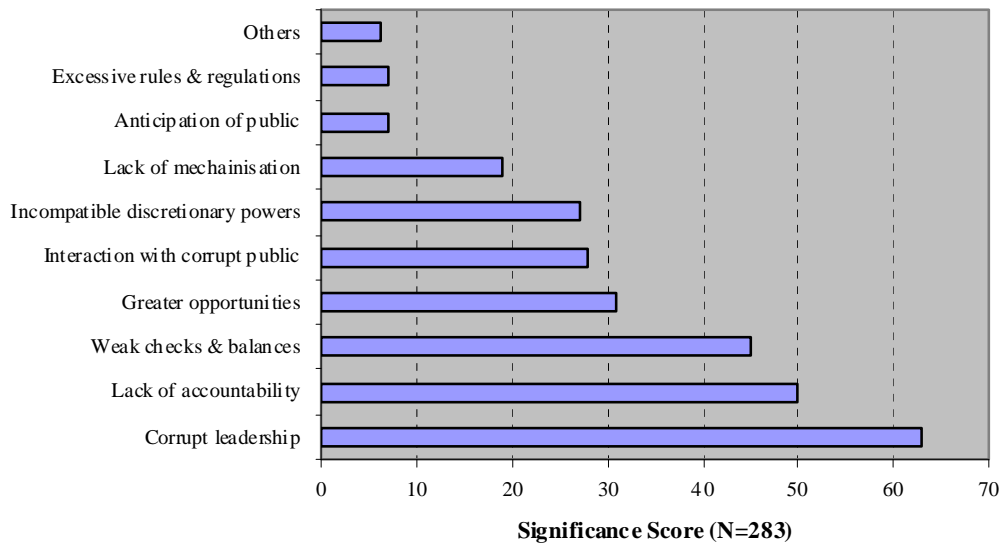
The following graph clearly shows that in view of the Motorway Police, corrupt leadership, (SS 63) and lack of accountability, (SS 50) are the primary most HFCs for

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<sup>119</sup> The excerpt was published in an Urdu daily, *Rosnama Khabrain*, 25<sup>th</sup> November 2000, and has been translated by the author.

widespread corruption in certain institutions; followed by weak checks & balances (SS 45) and greater opportunities (SS 32) as the other two HFCs.

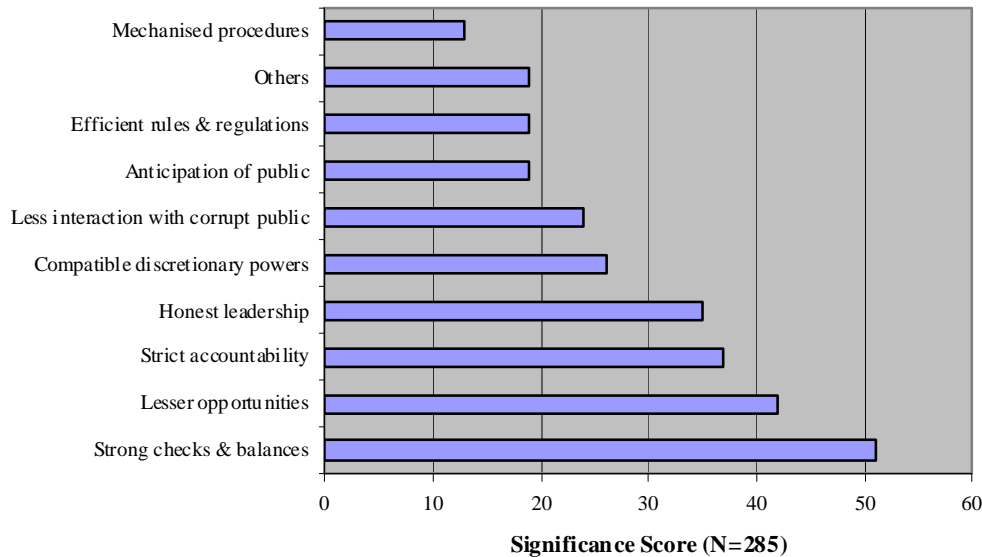
**Figure 10 Perceptions Regarding Institutional Corruption**



We remember from the last chapter that the general bureaucracy had named the same causes for rampant corruption in some of the most corrupt institutions in the country, though in a different order. According to bureaucratic perceptions, four primary HFCs for high level of corruption, in the priority order, were: lack of accountability, greater opportunities, weak checks & balances, and corrupt leadership. This comparison indicates that the MP assigns much more significance to the role of leadership, as compared to their counterparts in general bureaucracy.

This variation in the perception of Motorway Police and bureaucracy is explainable if we analyse their institutional structure, which is based on strict accountability ensured through an honest leadership. Accountability and monitoring rules, at least in theory, are present in each institution; however, universal and objective application of those rules varies from institution to institution. The application of these rules largely depends on the will and willingness of the leadership; an honest leader, having nothing to hide, would not hesitate to invoke such rules whenever need arise.

**Figure 11 Reasons for Lesser Corruption in MP**



However, when it comes to the reasons of lower corruption in their own institutions, members of MP attribute - though sufficiently enough to the level of HFC - considerably less importance to the role of honest leadership (SS 35) when compared with the strong checks & balances (SS 52) and lesser opportunities (SS 43) as major reasons. The role of strict accountability (SS 37) also appears one degree below its position in the previous chart. Nevertheless, strong check & balances are also indirectly linked to the quality of leadership in any institution.

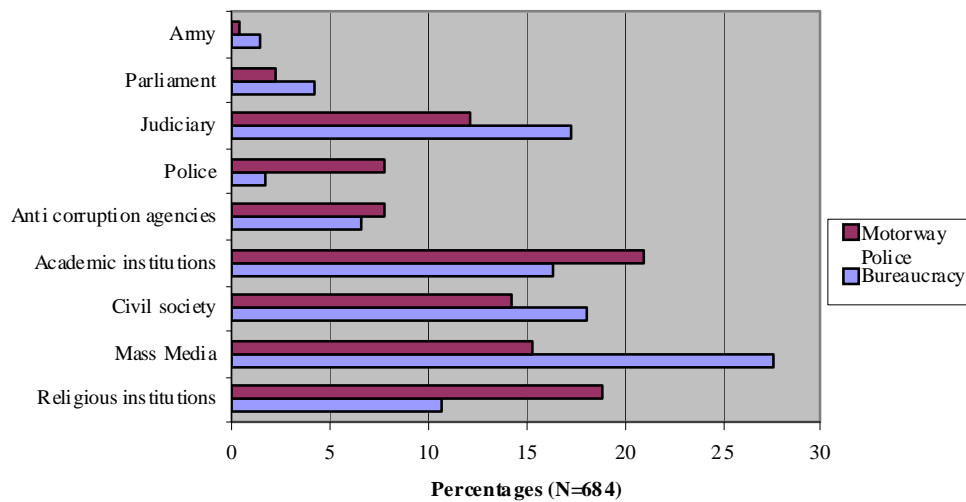
Considering the emerging trends from the above pictures, we can divide the instruments for controlling corruption into two basic categories: indigenous and exogenous tools for fighting corruption in any institution. We will analyse these two categories in greater detail in the coming sections; presently we will see how effective different institutions can be in fighting against corruption.

### **6.2.2 Institutions for Fighting Institutional Corruption**

There are always some institutions like mass media, civil society, or religious institutions, which could contribute effectively in the fight against corruption. Respondents from both bureaucracy and MP were asked to suggest the three most effective institutions for

fighting corruption. As the following chart shows, both the institutions differ considerably in the prioritisation of their choices.

**Figure 12 Institutions for Fighting Corruption**



In the opinion of the general bureaucracy, amongst the institutions of the public sector, mass media, civil society, and judiciary could play the most effective role in combating corruption. Interestingly, the role of academic institutions was given relatively lesser importance for fighting corruption, as only 16 per cent of the respondents had included academic institutions in their three choices; while, in case of MP it was their top most priority for fighting corruption, with 21 per cent of respondents opting for it. This trend suggests that bureaucracy generally consider themselves to be sufficiently educated, so they do not attach much importance to education or academic institutions; on the other hand, members of MP being more self reflective know very well by experience that the kind of training needed for inculcating respect for law, justice, and moral probity can best be imparted at the younger age by academic institutions.

Mass media and civil society were the top two most effective institutions, with respective chosen frequency of 27 and 18 per cent, in the eyes of bureaucracy for the eradication of corruption from society; however, the significance frequency of both these institutions was 15 and 14 per cent respectively, according to the MP's priority list. It seems paradoxical how an illiterate society could be effective in the maintenance of rule of law,



abundance of justice and the superiority of moral probity. Looking from this perspective the priority list of MP seems more logical.

An interesting feature emerging from this analysis was the lower level of significance, attached to the police and anti-corruption agencies, by both the bureaucracy and the MP; as only 6.5 and 7.8 per cent of the respondents, respectively, considered anti-corruption agencies of any value in the fight against corruption. It is important to mention that this opinion was recorded after almost eight years of an ongoing, well known, and well propagated anti-corruption campaign, of the National Accountability Bureau of Pakistan. Another important factor is the selection of religious institutions, as the secondly mentioned most important institution by the MP, for fighting corruption. Most of the MP's respondents also included religious teachings as a part of their recommendation list. Members of the bureaucracy though recorded numerous recommendations in favour of employing religious teachings, as a means for improving moral standards and reducing corruption, yet only 10 per cent of them had chosen religious institutions as effective ones for fighting corruption.

However, this religious factor when seen in the larger context seems to bear not much significance in the spread or curtailment of corruption. According to World Value Survey 2001, 90 per cent of Pakistani considers themselves religious persons, while 100 per cent of them believe in God, in life hereafter, in heaven and hell. Moreover, almost 92 per cent believe that claiming undue government benefits is never justifiable, while almost 98 per cent say that accepting a bribe is never justifiable.<sup>120</sup> And yet, quite paradoxically, Pakistan once again ranked at 134<sup>th</sup> position, according to the latest index released by Transparency International, with a CPI score of 2.5.<sup>121</sup> Both the public servants and the public do not waste any opportunity of make some profit employing every possible means.

A *Prima facie* contradictory position, perhaps, can better be understood, if viewed in the context of under developed and gravely illiterate societies like Pakistan, where actions

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<sup>120</sup> Figures taken from World Value Survey's website: <http://www.worldvaluessurvey.org/happinesstrends/>, sighted on 27th September 2008.

<sup>121</sup> Latest CPI was issued by transparency International on 27th September 2008 in which 180 countries were surveyed. Information available at TI's website: [http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2008](http://www.transparency.org/policy_research/surveys_indices/cpi/2008), sighted on 27th September 2008.

are predominantly influenced by the needs of the hour and not by the ideology or beliefs. Where, in folk wisdom, morality is believed to germinate from a full stomach. Maslow (1943) makes the same point in his famous theory of human motivation, arguing that:

Another peculiar characteristic of human organism when it is dominated by a certain need is that the whole philosophy of the future tends also to change. For our chronically and extremely hungry man, Utopia can be defined very simple as a place where there is plenty of food... Anything else will be defined as unimportant. Freedom, love, community feeling, respect, philosophy, may all be waved aside as fripperies which are useless since they fail to fill the stomach.

(Maslow 1943: 374-375)

Consequently, it is clear that despite having opposite claims, not all are so religiously motivated to wait for the glory of hereafter and ignore the ignominy of then and there. Similarly, notwithstanding the strong predilection towards religious teachings as a mean to control corruption among the members of bureaucracy as well as the MP, one can safely assume that religiosity of the agents or society, has little do with their susceptibility to indulge in corruption or corrupt practices.

Scientists have maintained for centuries that so called religious societies have a tendency to look for meta-physical solutions to physical or worldly problems. Resultantly they acquire a general negative attitude towards difficult situations or problems and tend to resign easily while leaving quest for solution on fate or nature instead of finding practical, logical and effective solutions for those problems. Despite the efforts of Eduard Said and others who have identified such generalisations as the orientalist view of western scholars,<sup>122</sup> and despite the fact that the disciplines of social and cultural science have mostly overcome this bias through rigorous self-reflection and discourse analysis, unfortunately this view has survived until today in the academic world. Especially when

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<sup>122</sup> When 'Orientalism' was published first in 1978, Said referred to the view of western scholars who studied the orient, i.e. the Middle East. The reception of his thesis extended the scope of the orientalist view, which regards East and West as fundamentally different and assumes the latter's cultural superiority, to the way non-western cultures and societies are generally being studied. Said describes Orientalism as followed: 'Taking the late eighteenth century as a very roughly defined staring point Orientalism can be discussed and analysed as the corporate institution for dealing with the Orient – dealing with it by making statements about it, authorising views of it, describing it, by teaching it, settling it, ruling over it: in short, Orientalism as a Western style for dominating, restructuring, and having authority over the Orient.' (Said, 2003, Page. 3)

politics and economics are concerned, such views are still applied as convenient solutions to explain the lack of development in the third world; whereas modern social psychology is able to explain most social phenomena regardless of the continent where they are being observed.

Therefore it is necessary to mention briefly that Pakistani society suffers from what is called in social psychology's term as learnt helplessness<sup>123</sup>, which is defined as 'the state of pessimism that results from a negative event as due to stable, internal, and global factor; learnt helplessness causes depression, reduced effort, and difficulty in learning new material' (Aronson, Wilson and Akerd 1994: 554). The population of most of the so-called South, including Pakistan, suffers from this psychological mal adjustment acquired after centuries of oppression and deprivation, symptoms of which are desperation, resignation and lethargy. A victim of this disorder believes that there is nothing one can do to help his situation and increase his performance.

If a strong predilection towards religious beliefs in general were the cause of fatalistic orientation leading to underdevelopment, then how could the ascent of the Roman Empire under Constantine, the strength of the Islamic Empire under the second caliph Umar in the sixth century, or the Protestant Work Ethic, which Max Weber held responsible for the evolvement of capitalism, be explained?

However, it can be stated that this syndrome of learnt helplessness has indeed been painted with green colour of religion and spiritualism in Pakistan, since resorting to religious consolation helps ordinary people to put up with the harsh reality they are unable to change for the better. Notwithstanding the extent of this syndrome in many developing societies like Pakistan, it will be wrong, or at best misinterpretation, to infer

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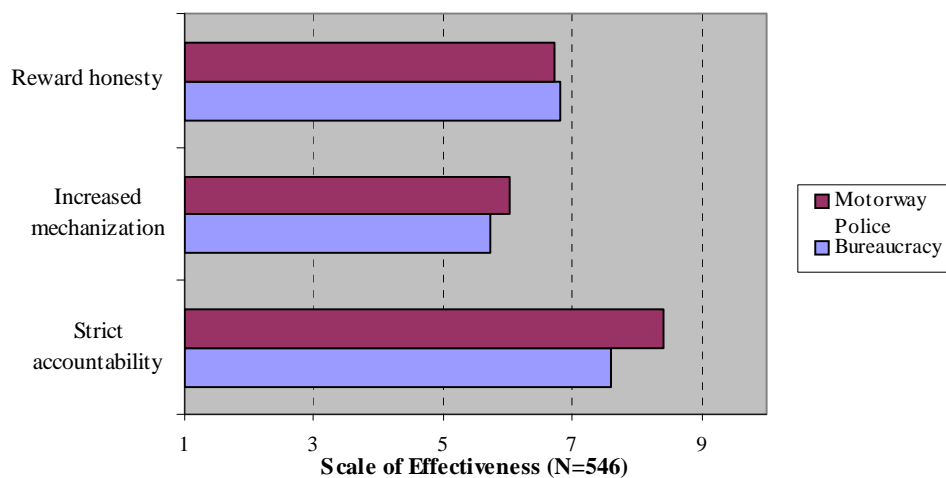
<sup>123</sup> Learned helplessness is a theory based on the experiments of American psychologist Martin Seligman (1967). Seligman performed two series of experiments with three groups of dogs, in which dogs were given small electric shocks. Two groups of dogs had the means to avoid the shock while third group had no escape from it. In second series of experiment all the three groups could have avoided the shock if they jump over a small wall. Interestingly the dogs belonging to that third group did very little to avoid the shock while the dogs from first two groups jumped over the wall to save themselves from the pain. Later similar experiments were performed with different animals producing the same result. Lack of control over negative stimulus was seen as the strongest predictor of depressive or resigned response. Thus, learned helplessness is a psychological condition in which human beings or animals learn, from their past experience, to act as helpless even when they have the power to change their situation or avoid the pain.

that their potential of contributing to development is generally inhibited by their cultural or religious views, just because they are displaying their despair in these terms.<sup>124</sup>

### 6.2.3 Indigenous Tools for Fighting Corruption

Coming back to our analysis of MP there are certain elements in each institutional organisation, which are within the jurisdiction of the individual institution. This means that these elements are not imposed from the higher bureaucracy or the government itself, rather they are indigenous to the institutions; and their existence or level of application depends, mostly on the priority list of the institutional principals or heads. These are the elements, which could be applied, changed, controlled and monitored by internal institutional mechanisms. Three such elements, which were weighted very high by the respondents for controlling corruption, were strict accountability, increased mechanisation, and recognition of and reward for honest behaviour.

**Figure 13 Indigenous Tools for Fighting Corruption**



The level of accountability within any institution, by and large, depends on the will of the principals of the institutions. Honest principals or heads of institutions could ensure a cost effective system of accountability and monitoring, universally applicable to all the

<sup>124</sup> I am extremely thankful to Dr. Ahmed Naseer and Jacqueline Naseer for their insights and help in building this and various other arguments.

members of the institution.<sup>125</sup> Similarly the principal can ensure rewards for honest behaviour. The level of mechanisation within each institution is also mostly associated with the will and desire of the constituents of the institutions. According to the views of both Motorway Police and the general bureaucracy these indigenous tools are essential for controlling corruption within any institution. Both the groups assigned almost similar importance to the elements of increased mechanisation and the rewarding the honest behaviour; however, the MP has attached slightly more importance to strict accountability as a tool for fighting corruption.

Strict accountability was given a mean effectiveness score of 8.4 by the MP, in comparison to 7.6 by the bureaucracy, on a scale of 1-10; however, interestingly *rewarding honest behaviour* was given a respective score of 6.7 and 6.8. Probably, being a rare phenomenon in general bureaucracy, *reward to honesty* has slightly more value in the perceptions of the bureaucracy. On the other hand, the MP has rated *increased mechanisation* as 6.0 in comparison to 5.7 mean score given by the bureaucracy. Probably, the Motorway Police herself being a sufficiently mechanised institution, better realises the value of this factor in the effective control of corruption.

#### 6.2.3.1 Effective Accountability

Almost hundred per cent of the respondents cited effective accountability as a major ingredient in answering to an open-ended question, asking their recommendations for controlling corruption. This is understandable considering the institutional culture of MP, where there is hardly any room for manipulation or exploitation of the clients. The head of Motorway Police in his interview to the author unequivocally quoted universal and effective accountability, along with better remuneration package, as the major causes of MP's success. The absolute significance of accountability in control of corruption, and its level in Motorway Police can very easily be ascertained by going through the following incident narrated by a respondent belonging to MP:

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<sup>125</sup> A self-explanatory example of this phenomenon, Zubair Bhatti's model for eradication of corruption, is recorded in the conclusion of this dissertation.

When National Highway & Motorway Police started working in 1997 on motorway, some of the senior petrol officials/officers, who were taken on deputation from district police departments, tried to make money from commuters. These officers were apprehended and penalized after a complete inquiry. They were dismissed from service not only from Motorway Police but also from the government service.

A young, single, officer of Motorway Police from Punjab recorded this incident while filling the questionnaire for the survey of MP in June 2007.

Such were the strong signals given to the agents from the very start; resultantly, making the option of going corrupt an extremely perilous and unattractive one. The effectiveness of this accountability lies in its universality, impartiality and objectivity. In the long run, nothing could be more disconcerting and hazardous for the institution than selective, partial and subjective accountability. The author himself witnessed the level of vigilance and intolerance towards inefficiency and corruption in the MP, during his various visits to their field and camp offices. Motorway Police has employed a mechanized system for processing any complaints against its officials; this ensures not only celerity, but also makes it incumbent upon the higher officers to take appropriate actions commensurate with gravity of the charges. This assertion is evident in the following incident quoted by another respondent of the Motorway Police:

On Beat No.32, on GT road an incident of corruption by Motorway officials was noticed. Some officials gave penalty of Rs.500 instead of issuing tickets to the violators. It was timely noticed by the officers of MP. The said officials were given major punishments; one was dismissed and other was sent back to his parent department.

One 30 years old officer of MP, belonging to Mianwali, narrated this incident during the survey of Motorway Police in June 2007.

However, concurrently if we analyse the mechanism and level of accountability prevalent in the other departments of civil bureaucracy we realize that extent of corruption in bureaucracy is not surprising at all. The standards of accountability and transparency in civil bureaucracy are as merciful and corrupt friendly as it could be, creating a sense of brazen impunity among its members. Following incidents emphasising the lack of

accountability in civil bureaucracy present a perfect contrast to what we have above seen in case of Motorway Police.

While serving as Deputy Commissioner Income Tax (DCIT), my staff was caught issuing fake notices; selling record to assesses that meant complete exemption of taxes. In Ministry of Women Development the amount dispersed for conferences was not the exact figure reported. The matters were presented before higher authorities but after suspension of six months all individuals were reinstated. This was treated as normal.

A young, female, mid level officer of the Income Tax service who, got herself transferred from Income Tax due to prevalent corruption there, quoted these incidents during an interview with the author in December 2007.

Following tables, based on the data compiled through the answers to open-ended questions in which respondents were asked to narrate any incident of corruption, which has been brought to their notice, and the steps taken for the redressal of the issue, will further substantiate the above made assertions. A comparison of tables related to general bureaucracy and the Motorway Police explains the significance of effective accountability in most unambiguous terms.

**Table 12 Incidence of Corruption in Bureaucracy and Actions Taken**

<i>Frequency of Witnessing Corruption</i>		<i>Case Reported</i>	<i>Action Taken</i>	<i>Result</i>	<i>Penalty</i>
Yes	68	44	No	34 Successful	8 1(Transfer)
No	2		Yes	10 Partly Successful	10
Not Sure	9		Self	14 Not Sure	6
No Response	58		Action		

The above table based on the answers of respondents belonging to general bureaucracy indicates that out of 68 incidents of corruption 44 were reported, out of which action were taken on only 10, while 14 officers took action themselves. It is interesting that only 8 of these 24 actions were considered as successful and in terms of penalty only one transfer was reported. This proves the assertion of our theory that in non-structured institutional environment job security is rarely threatened in cases of corruption; thus considerably reducing the cost of corruption in case of being caught. However, as we shall see in the

following table, based on the answers of respondents from Motorway Police, that in structured institutional settings cost of corruption is very high in terms of job security.

**Table 13 Incidence of Corruption in Motorway Police and Action Taken**

<i>Frequency of Witnessing Corruption</i>	<i>Case Reported</i>	<i>Action Taken</i>	<i>Result</i>	<i>Penalty</i>
Yes	7	7	No	-
No	73		Successful	7
			Partly	-
			Successful	2
Not Sure	-	Self	5	Not Sure
No Response	20	Action		-

Respondents from Motorway Police have quoted only 7 incidents of corruption and successful action were taken on all of them, which resulted in removal from service, dismissal and transfer back to parent department. It is worth noting that more than 90 per cent of the respondents (who answered these questions) have categorically asserted not to have any experience or knowledge of corruption in Motorway Police, while on the other hand in case of bureaucracy more than 90 per cent of respondents, who answered these questions, had experienced some sort of corruption. It is evident from the success ratio and the extent of penalty in case of corruption in Motorway Police that the adventure is too costly for a rational actor to undertake.

#### 6.2.3.2 Rewarding Honest Conduct

Notwithstanding the importance of accountability, rewarding honest behaviour is equally important for any sustained campaign against corruption. Effective accountability forces the agent to avoid corruption and reward motivates the agent to be honest; thus facilitating the decision making process of the agent in favour of the right options. In case of Motorway Police honesty is rewarded not only in shape of better salaries and privileges but also in terms of extra financial rewards for exceptionally honest and professional conduct on annual basis. These rewards are distributed in high-level annual meetings of the Motorway officers.

The accountability of corruption and the reward for honesty are the two wheels for the cart of structured institutions; absence of one vitiates the effect of the other. Being a rational actor, the agent is bound to follow the route leading to the greener pastures; it is

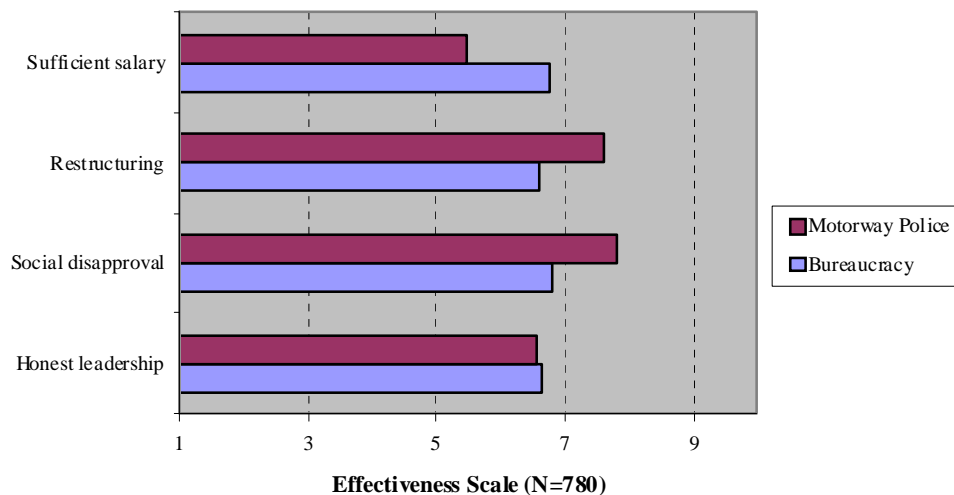


up to the institutions to offer him these pastures in corruption or in honest conduct. The primary difference between a structured and un-structured institution is that the former offers these verdant meadows in honest and efficient conduct and a sure cancellation of the grazing permit in case of corruption; while the later provides excessive grazing opportunities of corrupt behaviour and offers dry hay as a reward for honest dealings.

#### 6.2.4 Exogenous Tools against Corruption

Similarly like indigenous tools, there are some vital elements for fighting institutional corruption, which are beyond the jurisdiction of the institutions; these factors or tools are determined, controlled, and altered by the higher bureaucratic bodies, or the government itself. Institutions can, sometimes, request for change in some of these tools, but they cannot ensure or enforce the change, as bureaucracies follow the Weberian hierarchical approach in the conduct of their businesses. Such few exogenous elements, considered vital by the bureaucracy and the MP for controlling widespread bureaucratic corruption, were: sufficient salaries, honest leadership, institutional restructuring, and the element of social disapproval.

**Figure 14 Exogenous Tools for Fighting Corruption**



The above chart shows how much significance was assigned to each of these exogenous elements for a meaningful fight against corruption. It reveals that *honest leadership* was considered almost equally important, by both groups of respondents, while, *social disapproval* and *institutional restructuring* was given comparatively a higher priority by

the respondents belonging to MP, than by the one related to general bureaucracy. Similarly, *sufficient salary* was given considerably more importance by the bureaucracy. However, in terms of assigning significance to the role of *institutional restructuring* and to the higher *social disapproval*, as effective tools in fight against corruption, MP's views were significantly stronger than the perceptions of bureaucracy. The MP had assigned an effectiveness score of 7.6 and 7.8 respectively, to the above-mentioned elements, as compared to a score of 6.6 and 6.8 respectively by the bureaucracy. Honest leadership was considered equally important by both groups and was given an effectiveness score of 6.5 and 6.6 by MP and bureaucracy respectively.

The MP has assigned more value to institutional restructuring, because they are working in a structured institution and understand fully the pros and cons of being part of a structured institution. Secondly, most of them, prior to joining the MP, have also worked in the unstructured environment of provincial police services, so they can feel the difference and realise its impact.

Similarly, when MP agents see the impact of social approval, which they receive in abundance, they realise the importance of increased social disapproval in controlling corruption. Secondly and more importantly, as the basic needs of Motorway Police, physiological needs in terms of Maslow's theory of human motivation (1943), are reasonably satisfied, they are and can be motivated to achieve and satisfy a higher degree of needs i.e., self-esteem needs.<sup>126</sup>

#### 6.2.4.1 Financial Remuneration

Financial remuneration and leadership of the institution are the elements, which have significant impact on the outlook and performance of institutions; but both factors are external to the effective jurisdiction of the institutions. In the general bureaucratic setup, decisions regarding both of these elements are made at governmental level, but the repercussions of these decisions are felt at the institutional level. Regarding financial remuneration, this can be ascertained by the fact that respondents from bureaucracy had given an effectiveness scale of 6.7, as compared to 5.4 by those belonging to the MP,

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<sup>126</sup> For a detailed description of various stages of human needs and associated motivations, refer to Maslow's theory of human motivation (1943) explained in chapter 1.

since the respondents from the former, receive lesser financial remuneration, as compared to the agents belonging to the later. However, almost all the respondents, both from bureaucracy and Motorway Police, who have given their recommendations for controlling corruption, have quoted increase in financial remuneration as a most vital ingredient for combating bureaucratic corruption. It is important to point out here that what agent asked for is not a very exorbitant increase in their salaries, but rather what most of them have proposed is a reasonable financial package, which should ensure provision of at least basic amenities, like food, shelter, health and education.

Need based corruption, which is most frequent and equally deleterious from long term societal perspective, cannot be controlled without catering for the basic needs of public servants. A universal and ruthless accountability might achieve the purpose for a short time but it will be a forced change, which is unlikely to last long. Our study of Motorway Police shows that in order to make 'no to corruption' a willingly opted choice for the agent it is imperative that financial returns of the public agents are at least sufficient to meet their basic needs. Otherwise, in presence of incidents quoted under the heading 1.5.1.2, it will be impossible to effectively combat corruption.

#### 6.2.4.2 Honest Leadership

The role played by honest leadership in controlling corruption both at institutional as well as national level cannot be undermined. Leadership, both corrupt and honest, can be contagious; corrupt leadership promotes an individualistic approach among the subordinates while honest leadership fosters an ethos of collective good. Corrupt leadership not only promotes inefficiency, selfishness, and corruption, but even more dangerously it exasperates the honest and efficient agents and produces a feeling of helplessness and frustration in them; turning them into individuals filled with cynicism and repressed hostility. The role played by the leadership can very well be ascertained by the following extract narrated by a respondent from the bureaucracy sample when asked to narrate any incident involving corruption brought to his notice.

There have been many during my service. Mostly I succeeded in doing what I was supposed to do. I mostly took stand against corruption and succeeded where my superior officer was honest. Only once I failed, and that was because from Deputy Commissioner (DC) up to the provincial minister, all wanted payment to a contractor. I just could not fight the entire corrupt system!

A mid level, male, officer from NWFP, posted in Establishment Division of federal government service, recorded these views during the survey of bureaucracy in May 2007.

This clearly shows that even the willing and honest agents fail to follow their ideals in the face of a corrupt leadership. It does not happen infrequently that an honest subordinate of a corrupt boss finds himself posted every few months from one place to another. In extreme cases, like the earlier quoted one narrated by a female officer of Income Tax department, she was posted more than ten times in a span of three months because she refused to comply with unlawful orders of one superior.

The significance of honest leadership in the honest and successful performance of The Motorway Police can also be judged by the extract quoted at the start of this chapter. According to that, the primary reason of MP's exemplary performance is their leaders, as 'they themselves are honest, conscientious and straightforward and do not compromise on principal' (Soofi 1999).

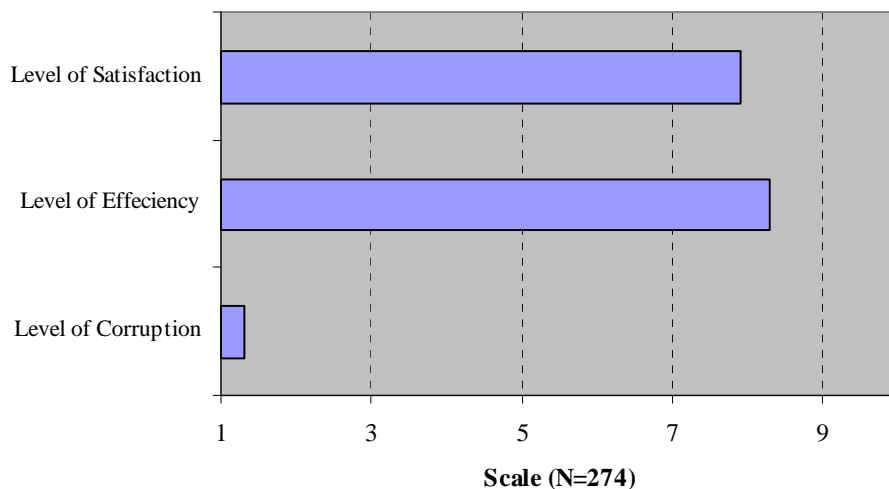
### **6.3 Self-Assessment of Motorway Police**

As already mentioned, a separate section related to the various aspects of the institution was added in the questionnaire used for surveying the perceptions of the Motorway Police (Questionnaire is attached as Appendix 2.) The section targeted the perceptions of local agents regarding the institutional environment of the MP in terms of: corruption and efficiency, peer pressure, social expectations, professional cooperativeness, accountability, and job satisfaction. The following section will describe and explain the cumulative perceptions of the agents belonging to a well-structured institution, and will analyse what, according to them, are the major factors responsible for their unusually honest and efficient conduct within a web of inefficient and corrupt institutions.

### 6.3.1 Performance of Motorway Police

Multiple questions targeted towards obtaining a view of MP's agents, regarding their own performance in terms of corruption and efficiency. Public observations and bureaucratic view regarding these factors have already been explained in the previous sections. Here we will analyse the MP's own view about their performance, to countercheck the general impressions. The first assessment was obtained from a question in which respondents were asked to *list three least corrupt institutes* (Q 9); what we saw was a humble expression of self assessment: only 40 per cent of the respondents, as compared to 60 per cent of the bureaucratic respondents, listed the MP as the least corrupt institute in the country. However, when asked directly about, *the level of corruption and efficiency* (Q 34 & 35) in the institutions their response was different and more in congruence with their public image. As the following chart shows, MP's rating in terms of corruption was almost perfect with a score of 1.3 on a scale of 1-10 where 1 was completely clean and 10 was thoroughly corrupt.

**Figure 15 Self-Assessment of MP**



The most significant aspect of this table is the rating of MP in terms of efficiency, as there exists a certain school of thought, in general bureaucracy, which does not go so far to indulge and justify corruption, but which has no objection towards inefficiency.

Though such agents are not corrupt, they are also not efficient by any standards. They opt to do minimal work in order to avoid any potential situation, which might force them towards corruption. The Motorway Police was rated at 8.3 in terms of an *institution serving public interest efficiently* (Q 35).

Another heartening finding was the level of satisfaction of the respondents with their job in the Motorway Police; as the cumulative score for this particular question (Q 36) was 7.9 signifying that almost 80 per cent of the respondents are reasonably satisfied with what they are doing, and how they are being reciprocated by the institution for their services. This becomes increasingly significant when viewed in the backdrop of the general trends prevailing in the country, as according to World Values Survey of 2001, almost 88 per cent of the Pakistanis are dissatisfied with the financial situation of their household, and 72 per cent are dissatisfied with their life in general.<sup>127</sup> This implies that a large majority of the population is dissatisfied with not only what life has to offer them but also with what they do and what they get in return of their services.

### **6.3.2 Societal Elements in Controlling Corruption**

We have seen in the last chapter that the bureaucracy recorded paradoxical views about the role of society in the spread and control of corruption. We again obtained somewhat erratic views from the MP regarding the role of society in the expansion or curtailment of corruption. In answer to a question that whether *public forces the official to be corrupt by offering them bribes* (Q 16) almost 60 per cent of the respondents agreed to the statement as the cumulative score for this question was 6.2; however, when directly asked that, *how often you come across the public that wants to bribe you* (Q 40), the majority of the respondents answered it as rare or very rare signifying a converted score of 2.8 on the scale.

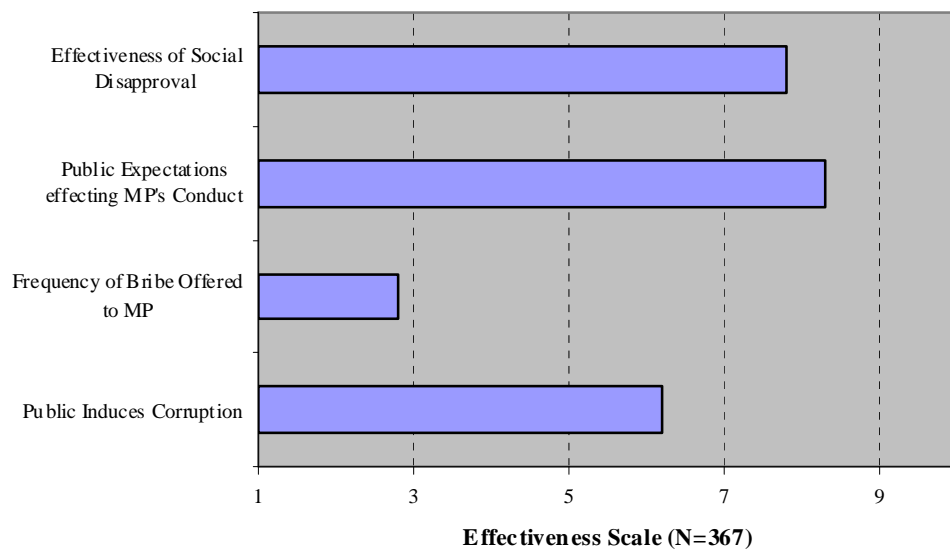
Furthermore, when asked to comment on the effectiveness of social disapproval in discouraging corruption (Q28) most of the respondents placed it between very effective and effective with a cumulative converted score of 7.8. However, the most significant result was to a question, asking that *how much public expectation from Motorway Police*

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<sup>127</sup> Figures are taken from the World Values Survey website: <http://www.worldvaluessurvey.org/>, sighted on 28th September 2008.

*determines your conduct* (Q 37); according to the responses to this question, public expectations plays a major role in determining the conduct of Motorway Police. The converted effectiveness score for this particular question was 8.3, indicating a very strong relationship between public anticipation and the conduct of the agents. If we remember from the last chapter, a considerable number of respondents from bureaucracy have suggested that public induces them for corruption and corrupt practices. This divergent views regarding public expectation from the two institutions suggest that the public builds its expectation discriminating between the institutions according to their past experiences.

**Figure 16 Societal Influences on Corruption**



The impact of social expectations on the conduct of the MP is amazing, it indicates that if once an image – be it positive or negative – is established, agents tend to follow that image and try to live up to the expectations associated with it. Social image is a very important factor in determining the conduct of individuals as well as institutions, as individuals are the building block, out of which institutions are made.

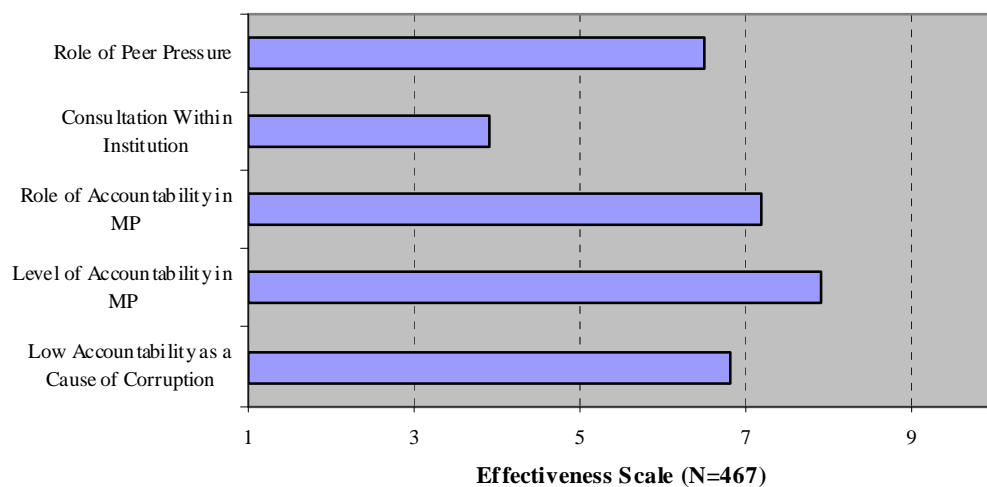
These results, once again re-establish the importance of perceptions in case of corruption; if the general perception is that some institution is not corrupt, it affects the conduct and

performance of the institutions significantly, to a degree that perceptions can work like self fulfilling prophecies. Somebody who is perceived to be corrupt, would not hesitate to indulge in further corruption, while, the one who is known and appreciated for being honest, would find it very hard to indulge in corruption and corrupt practices. This might also be a reason for rampant corruption in the police, because the representatives of this institution know that they are known for corruption. Since the public would not expect anything else than them being corrupt, they tend to think little while demanding illicit sums for the services they provide.

### 6.3.3 Institutional Tools for Controlling Corruption

Under this category, agents were asked to give their perceptions about the presence of various factors, like: accountability, peer pressure, professional cooperativeness in their institutions and the significance of each factor in determining their conduct.

**Figure 17 Institutional Features in MP**



As is evident from the above chart, there was a consistent response to the questions related to the role of accountability. Initially, the MP respondents suggested with an effectiveness score of 6.8 that lack of accountability is a major reason of corruption in the bureaucracy. Later, when asked about the prevalent conditions within their own institutions, they again attributed higher significance to the role of accountability in the impeccable conduct of the institution. Responding to a question in which respondents



were asked to, *rate the level of accountability within their institution* (Q38), the majority placed it between very strong and strong with a cumulative score of 7.9. And when asked to describe, *the role this strong accountability plays in determining their conduct* (Q39), again the majority of respondents rated it between very strong and strong with a mean effectiveness score of 7.2.

However, when asked about the *role of professional consultation with the institution regarding the matters of organisational changes like efficiency improvement* (Q42) most of the respondents gave a negative response, with a mean effectiveness score of 3.9, which signifies between rare to very rare occurrence of such incidences. This implies that despite being a well-structured institution the MP has not adopted the policy of consensus building within the institutions and has not delegated the decision-making process to the grass root level. The benefit of shared decision-making is that it makes the stakeholders responsible for the outcome of those decision and they strive harder to achieve the targets, set by the policy or any particular decision.

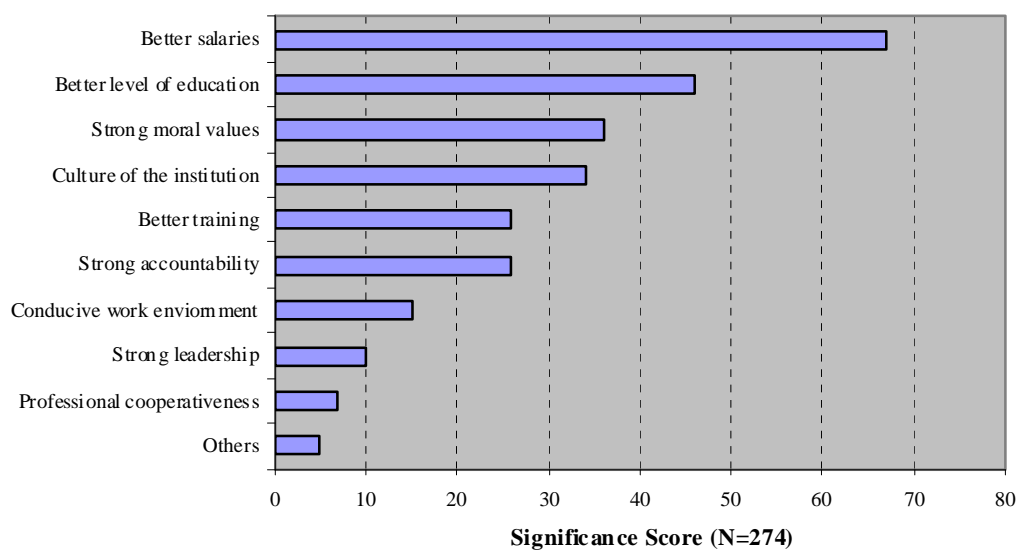
Notwithstanding the lack of professional consultation or joint decision-making process in the MP, there exists a strong sense of peer pressure in doing things right. When asked to comment on, *how much their conduct is determined by the expectations of their colleagues* (Q41), a significant majority responded as very much, with a score of 6.5. Though, this response is less strong than their response to the role of accountability or public expectations in the determination of their conduct, yet, it shows that peer pressure plays a significant role in the decision-making process of the agent.

The above analysis has revealed that in the view of the Motorway Police, social expectations is the strongest contributor in the honest and efficient discharge of their duties, closely followed by the strict accountability and peer pressure. It is evident from the data that the MP has repeatedly assigned significant importance to the role strict and impersonal accountability can play in the fight against corruption. Apart from this, rewarding honesty also plays a considerable role in the behaviour of agents; however, it appears that the MP has assigned relatively less importance to the role reasonable financial remuneration plays in the choices of the agents. Nonetheless, the MP has emerged as a strong supporter of institutional restructuring as a means to control corruption.

### 6.3.4 Structural Tools for Controlling Corruption

The following table enlists ten major structural differences between the Motorway Police and the rest of the bureaucratic institutions working in Pakistan. These differences are listed in terms of the priority, assigned to each, by the respondents belonging to the Motorway Police. These structural differences are presumably the major reason of lesser corruption and higher efficiency in the Motorway Police.

**Figure 18 Institutional Features of MP**

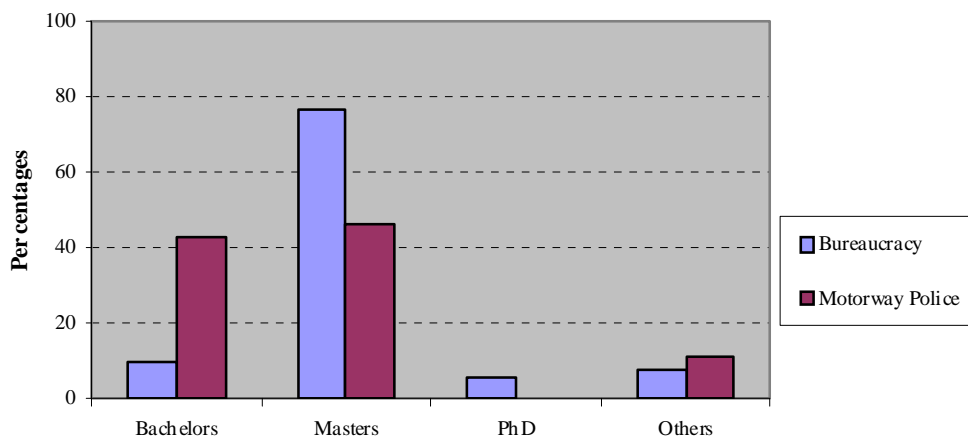


The primary most difference between MP and rest of the bureaucracy is the better financial remuneration, which according to most of the respondents belonging to bureaucracy as well as MP plays a most vital part in the spread or control of corruption in public sector institutions. With significance score of almost 70, better salaries was, by and far, the first of the top three structural differences chosen by the respondents. Apart from better salaries factors like level of education, strong moral values, and culture of the institution also fall within this category of Higher Frequency choices. Interestingly, factors like better training, strong accountability, favourable work environment, role of leadership and professional cooperativeness were given lower frequency significance by most of the respondents. However, it is important to remember, while viewing these scores, that these were the choices recorded by the respondents in answer to a question

asking them to *enlist three most striking differences of the MP in comparison to rest of the public sector institutions* (Q43).

Though the MP has assigned significantly more importance to their level of education, the following graph (Figure-19) reveals that their level of education is not much higher than that of general bureaucracy; rather the level of education is higher in the bureaucracy.

**Figure 19 Level of Education**



Almost 77 per cent of bureaucratic respondents were holding a master degree in comparison to 46 per cent of the MP respondents; however, the ratio of bachelor degree holders was 9 per cent to 43 per cent respectively.

However, if percentages of bachelor and master degree holders are combined, the total score for MP, i.e., 89 per cent, grows relatively higher than the same figure for bureaucracy, i.e., 86 per cent (leaving PhDs out as exceptions). This impression of MP for having a better educational standard could be explained when viewed in comparison with the general police, which would have a relatively lower education standard between their file and ranks.

Another important structural variation, in the views of MP respondents, was strong moral values of the constituents of the institution. An inference, which could be drawn from this statement, is that in MP's view, moral values of the other public institutions are not very strong, or they are more susceptible to amoral activities. The genesis of this choice could be found in the very effective training program of the MP; as character building and

inculcating a new moral ethos, at the time of joining MP, as well as during the course of their progress, is a vital part of the MP's training ideology. Resultantly, the trained officials display a stronger sense of moral probity, which is unique to the institution. Not only has this training made them professionally competent in handling all kind of situations, and responsible in their social behaviours. The Motorway Police indoctrinate in her agents, a unique sense of 'soft policing', with a focus on public service, while prosecution is the last mean of action on the priority list.

### **6.3.5 Institutional Culture of Motorway Police**

A part of the structural differences, the institutional culture is too significant a factor to not being treated separately. The MP's choice of the culture of the institution, being a major structural uniqueness of the organisation, indicates strongly towards our earlier stance that it is not the culture which determines the level of corruption in any society, but rather the culture of the institutions which determines it. Though, the Motorway Police and the rest of the public institutions reside in the same South Asian culture, yet their output and manner of conduct, in terms of efficiency and corruption is remarkably different; this is due to the culture of the institution, which considers transparency, accountability, efficiency and public service as sacred principles to be upheld at any cost. An important part of the institutional culture is the fact that authority and responsibility lies within the same agent; means, one who is authorised to make a decision, is also responsible for implementing that decision. This has been done through decentralisation of administrative and financial powers to the basic structural units. In order to make this decentralisation work, the sphere of influence of each officer has been limited to a manageable level. One Superintendent of Police (SP) has to monitor and supervise 250 officials in total, with the help of four of his deputies (Assistant Superintendent of Police/ Deputy Superintendent of Police) who monitor 60 officials each.

Besides, the MP as an institution has set very specific parameters for the officers to monitor their progress in terms of efficient discharge of duties. Some of the basic parameters, contributing to the success of the MP, include: universal assistance to commuters, integrity and dedication to service, universal application of law, public

friendly policing, and motivation and commitment towards public service (MP Brief 2005:6).

According to my observation, a remarkable difference in the institutional culture of the Motorway Police can be felt merely by visiting any of their offices. Public friendliness, alacrity, and the professional approach of the officials and officers alike, which dominate the atmosphere in the MP offices, is a rare phenomenon, in any other public sector institution. Professional cooperativeness, healthy competition, and team spirit among the officials of the MP are also very high, as compared to their counterparts in other public institutions.

Trust with supervision, is a fundamental feature of MP's institutional culture; officers trust their subordinates that they will perform their duties with efficiency, honesty and professionally without any personal consideration. Agents also feel the moral obligation not to betray the trust they enjoy, by performing to the best of their potential.

However, only blind trust does not serve the purpose; agents know that they are regularly supervised and monitored by their superiors and know that any laxity in the discharge of their duties will lead to dire consequences. Regarding corruption, the MP has a very simple agenda, which reads: zero tolerance of corruption. Both official and officers are well aware of this policy and do not find it worth a try to risk their job for any illicit pecuniary gains.

With simplified monitoring techniques the MP has proved the basic notion of agency theory completely wrong, which stipulates that the principal does not monitor the agent, as effective monitoring of the agent is very costly. Principals of the MP regularly and effectively monitor the workings of their agents, without incurring too much cost in the process. Continuous monitoring of the subordinates is a part of daily routine of MP officers: Every morning the SP of each sector is provided with the list of the cases and clients who were dealt with by MP officers during the previous day; he then spends one hour daily in contacting the persons by telephone and inquires about the standard of the services provided, and the client's level of satisfaction with the job performed by the MP official. This apparently innocuous exercise has made the effective monitoring of the agents not only possible but also cost-effective for the principal.

## 6.4 Conclusion

On the preceding pages we have discussed two applied mechanisms for controlling corruption: studying corrupt institutions to ascertain the causes of corruption, and examining some non-corrupt institutions to determine the reasons for their honest behaviour. We applied the first approach in the last chapter when we analysed the reasons for widespread corruption and inefficiency in the general bureaucracy of Pakistan. In this chapter we have employed the second approach and have analysed the causes for non-corrupt and efficient dealings of the Motorway Police in Pakistan, with the help of the data based on the perceptions of the agents belonging to the institution and data/information collected by the author about MPs internal procedures.

In the first part of the chapter, we discussed the origin, evolution, administrative structure, institutional features, performance and social image of the Motorway Police. We saw that it was established, on a limited and controlled scale, almost a decade ago. Since the very inception, the institution has build up its reputation as an anomalously honest and efficient institution in the bureaucratic set up of Pakistan; and after the lapse of more than ten years and increase in the size, responsibilities and jurisdictions of the institution, its initial image has not only survived unscathed, but has also improved with the passage of time.

The most significant aspect of this successful experiment was that the initial manpower of the MP constituted of police officers, obtained on deputation, from different provincial police departments. The initial force consisted of officers, who were used to and adept in an extremely corrupt police culture of Pakistan. However, when placed in the right institutional setup, after a rigorous training of only six months, the same officials, turned out to be worthy to represent the most efficient and most honest police force in the history of the Indo-Pakistani subcontinent. This research attributes such a transformation primarily to the institutional structure of the Motorway Police. Transparency International Pakistan commented on this successful experiment that ‘the experience with the newly established motorway police appears to demonstrate that sufficient pay, a well-structured job, effective monitoring and the creation of pride in the job can be effective’ (TI Country Study Report 2003: 10).

We have also delineated the unique institutional features, based on administrative and financial structure of the Motorway Police. We have seen that the key aspects of administrative structure are: merit based recruitment; excellent pre- and on the job training; division of force into controllable sectors; devolution of financial and administrative powers; manageable numbers of staff under the supervision of each officer; convenient working hours; provision of adequate residential facilities; adequate equipment; and good job environment. Regarding the financial structure the most prominent feature is the salary structure of the Motorway Police, which is almost 50 to 75 per cent higher than the equivalent pays of the bureaucracy. Besides, higher pay package, transparent and efficient resource allocation, financial decentralisation, financial reward for honest behaviour, and effective welfare schemes for the force members are the other conspicuous features of the MP's organisational set up.

The chapter further substantiates the argument that institutional structures could be imperative in controlling corruption, by providing a brief sketch of the performance and social image of the MP. We showed that the MP has been instrumental in: reducing the numbers of traffic accidents, making the highways safer, providing timely assistance to commuters, recovering stolen vehicles, foiling highway robberies, apprehending unlawful elements, and generating substantial financial receipt for the government in the shape of collected fines. During 2006, the MP had collected more than 1.2 billion rupees in terms of imposed fine for traffic violations on highways. The social image of the MP is such that its name evokes appreciation, respect and approbation from the public at large.

The second part of the chapter deals with the perceptions of the actors belonging to the MP regarding the causes of rampant corruption in the bureaucracy of Pakistan, as well as the reasons for the lack of corruption in the MP. The analysis shows that leadership, accountability, and checks & balances are the three most important factors in determining the level of corruption in any institution. We have further seen that in MP's view, academic and religious institutions could play an instrumental role in the fight against corruption; while according to the perceptions of the bureaucracy, mass media and judiciary are the two main pillars for arresting the surge of corruption.

We analysed the effective tools for fighting corruption under the categories of indigenous and exogenous tools. We noticed that strict accountability and reward for honesty are

considered as the major indigenous tools, while social disapproval and institutional restructuring are viewed as the basic exogenous tools for fighting corruption. We have also analyzed the data, both from bureaucracy and Motorway Police, related with the reported cases of corruption and the actions taken on such incidents. We noticed that the frequency of such incidents is much higher, and imposed penalties are very far and few in bureaucracy; however, we have also seen a complete reversal of this trend in case of Motorway Police.

The third part of the chapter deals with the self-assessment of the Motorway Police regarding their performance, level of corruption and the basic reasons for lack of corruption in the MP. This section shows that actors belonging to the MP rate the institution very high in terms of its performance, are generally well satisfied with their job, and consider corruption as almost non-existing in the institution. It further shows that the actors assign high weightage to social disapproval, for reducing corruption, and believe that, social expectations play a major role in determining their honest conduct. We also noticed that contrary to the common bureaucratic belief, incidents of offering bribes to members of the MP are rare; which shows a certain degree of respect and recognition among the public at large for the honesty of the institution.

We further analysed the impact of various institutional tools on the behaviour of the agents belonging to the MP. We noticed that most of the actors believe that the level of accountability is very high in the MP and that this factor contributes heavily to the honest and professional discharge of duties. Apart from that, peer pressure also contributes significantly in the honest conduct of the force members. However, we also noticed that a broader consensus building and mutual consultation on the matters of institutional structure and administration is not very common among the members of the MP.

We also analysed the actor's perception, regarding the most significant structural differences between the MP and the civil bureaucracy. We established with the help of data that better salaries, better level of education, stronger moral values and institutional culture are considered as the most important distinctions of the MP. However, the significance of the educational level of the actors, in determining their susceptibility to corruption, gets weaker when the level of education in the MP is compared with the level of education in the civil bureaucracy. In the end we have described how the institutional



culture of the MP differs from the culture prevalent in the rest of the public sector institutions of the country, and how this contributes in promoting a professional and non-corrupt environment.

Further, we have examined and explored the factors responsible for a non-corrupt and efficient institution, existing side by side with a bureaucracy that is generally perceived to be corrupt and inefficient. We have investigated the reasons for this remarkable phenomenon and have tried to empirically establish the earlier stated thesis that it is not the culture in general, but rather the culture of the institutions, which determines the level of corruption in any given state and society.

In the conclusion of this work, we will summarise the whole debate about the causes and the control of corruption in transitional societies and developing states, along with a policy recommendation, based on the results of our research about a generally corrupt bureaucracy and an anomalous honest institution, in a developing country like Pakistan

## **Chapter 7**

### **Conclusion**

The main purpose of this research was to enhance the understanding of the enigma of less governance and more corruption in the transitional societies of the developing world; and to investigate the possibilities to seize the unabated upward surge of corruption and concomitant downward slide of governance, through institutional restructuring. Hoping, en route to the above stated destination, to unravel the riddle of the 'cultural embeddedness of corruption'; which maintains that, corruption is ingrained and ensconced in the culture of transitional societies; so, little could be done, till the cultural transition, from traditional to modern, is not complete. This research has demonstrated, with a reasonable degree of certainty, that: first, institutional restructuring can be instrumental in quenching the wild blaze of corruption in transitional societies and developing states; and second, the institutional culture, rather than the culture of transitional societies, is responsible for the unbridled corruption and decaying governance in such states and societies.

This research establishes that economic and administrative factors are primarily responsible for wide spread bureaucratic corruption and lack of governance in the developing states, not any of the so-called cultural determinants. This research points out that it will be idealistic to expect from an agent, whose life is rotating around the axis of 'physiological needs', to exhibit character motivated by higher degrees of needs like 'self-esteem' or 'self actualisation'. A higher level of existence, motivated by an urge to enhance ones self-esteem or pursue activities leading to the exalted state of self actualisation or transcendence, is most probable only for the individuals or societies whose essential needs: physiological, safety and social, are duly taken care of. Furthermore, it asserts that given the right institutional culture, agents have a propensity to follow the rules, regardless of the socio-political milieu. The same agents or actors, indulging in all sorts of corruption and corrupt practices in un-structured institutional settings, can, on grounds which are psychologically explained, become extremely honest and efficient public servants, given the right institutional environment.

These conclusions are underpinned by references to both qualitative and quantitative findings, through an in-depth investigation of a transitional society and developing state, i.e., Pakistan. The case selection was motivated by multiple reasons. Pakistan, having a society dominated by profuse familial, clique, and clan associations, and a state marred with economic instability, political uncertainty, regional and ethnic divisions, and religious fundamentalism, makes a worst case example of transitional societies and the developing states. Furthermore, Pakistan's state suffers from a deteriorated degree of governance and a staggering level of corruption. Considering the generalisability of the theory and the model of this research, Pakistan was therefore, tactically a very valuable choice. Bearing in mind the perilous socio-political milieu of the country, one can safely assume that any restructuring or reformation framework, sustainable in case of Pakistan, would be equally applicable in any developing state or transitional society.

This neo institutional theory for controlling corruption can be generalised, in particular, for the rest of the public sector in Pakistan and the developing world, of which Pakistan is an ideal example, in general. If one institution of more than 5000 employs, endowed with the policing powers, can work for more than a decade as efficiently, professionally and honestly as any institution of the developed world, then why this cannot happen in other institutions of the state? Public sector in Pakistan and most of the developing states belonging to Asia, Africa or South America suffer from similar structural deficiencies like: lack of effective monitoring, economic constraints, ineffective leadership, and inadequate training. These factors, coupled with a general atmosphere of insecurity, depravity, and inequality, render the decision to go corrupt an optimised choice for the actors of developing world's public sector. If the fault were with the actors of the developing world or with the cultures of transitional societies, it would have not been possible for the same agents, who had previously been exposed to all sorts of corrupt practices in the unstructured environment of general police, to reincarnate themselves into a highly efficient, honest and professional force within six months. This unprecedented accomplishment has not only been sustained for more than a decade, but has also been expanded to other institutions like Islamabad traffic police; indicating, contrary to common belief, a willingness on the part of public agents to adhere to the rules of the game, provided they are simultaneously inspired and deterred by the effective

institutional incentives and constraints respectively. This research has established that the difference between the so-called developed and developing world lies in the institutional cultures and structures. Institutional incentives and structures prevalent in developed world, if imported to the public sectors of the developing world, can bring the level of corruption down to an acceptable level, as is the case with the developed world or established societies of today, and vice versa.

The theme of this research was chosen considering a general lack in the body of knowledge concerning country specific studies of governance, apropos corruption; and secondly, an extreme dearth of exhaustive exploration about ‘successful performers’ in the field of corruption. One such successful performer namely, National Highway & Motorway Police of Pakistan was identified, and the reasons for her success were thoroughly investigated, along with a simultaneous comprehensive analysis about the causes of widespread corruption in the bureaucratic institution of the country.

This research repeated the question asked by Mitra (2006: 2) ‘why do people follow rules in some situations and not in others?’ Contrary to Mitra’s employment of murders and riots as an indicator of low governance, this research used the level of corruption, as an indicator of the degree of governance. However, despite being asked in a different environment and in a different context, the answer to the above-stated question is in congruence with the findings of Mitra. The question was analysed, in the context of civil bureaucracy of Pakistan, where agents tend to defy the rules with consummate impunity; and concurrently within the Motorway Police, where agents are collectively predisposed to abide by the rules. The results show that agent’s decision to follow the rules is determined by his or her perception of gains and losses, associated with the available alternative choices, and not in any way influenced by his culture or context.

Primarily a theory driven case study, this research employed the rational choice neo-institutional approach for developing an institutional model for controlling bureaucratic corruption. This model asserts that agents prefer to follow the rules, when placed in a structured institutional setting. The research used Weberian characteristics of bureaucracy as the standard, against which, the structured-ness of any institution could be measured. Employing those characteristics, this model maintains that: universal accountability as a corollary of the hierarchical makeup of bureaucracy, reasonable pecuniary compensation,

an institutional environment associating social esteem with the level of integrity and professionalism, and purposeful professional training are vital for any institution to be efficient and corruption free. Though not a primary concern of Weber, yet his characterisation of bureaucracy proved instrumental, in the process of developing this institutional model for controlling bureaucratic corruption. Honest and efficient leadership, though not included in the Weberian characterisation, was also incorporated as a significant feature of this model for controlling corruption.

Building on the agency theory and rational choice approach, this research asserts that the principal and the agent are rational entities, whose behaviour is shaped by collective choices, determined by their perception of reward and punishment associated with each choice. The decision-making process of the agents is at the core of the institutional model, with a special focus on increasing the cost of corruption, as well as the gains of rejecting corruption. The underscored theme to make 'no to corruption' a rational and willingly opted choice for the agent, underpinned the significance of this model. Rationalising that, the revolutionary forced change is a transient phenomenon, while the evolutionary, willing and conscious modification in behaviours is an enduring feature.

Considering the obvious problems, associated with authentic information gathering about corruption, perception of corruption is generally employed as a good proxy for the real level of corruption. Without exception, all the perception-based research regarding corruption draws on the perceptions of general public, businesspersons, country experts, or the views of international business conglomerations. Though, this research also employed perceptions of corruption, yet its unique feature is that it collected and used, for the first time, the perceptions of stakeholders, i.e., members of civil bureaucracy of Pakistan, regarding the prevalence, causes, consequences, and control of corruption in the country.

The instruments of data collection consist of survey and interviews, which were conducted in 32 different ministries, divisions, departments, and organisations of federal bureaucracy of Pakistan. Besides, views of the members of national bureaucracy, working with various international organisations, were also included in the data. In total around 250 survey and interviews were done, out of which, 137 belonging to general bureaucracy and 100 belonging to the Motorway Police, were used for the purpose of

data analysis. Results derived from this research are based on the archival research, personal observations of the author and the perceptions of the public servants, gathered through analysis of the collected data.

This dissertation is divided into three parts: the first part deals with the review of theoretical foundation and the existing body of knowledge; the second part extensively evaluates the concepts of corruption and governance, and its practical demonstration in the case of Pakistan; and the third section, corroborates the theoretical arguments with the empirical evidence collected from the bureaucracy of Pakistan.

Chapter 1 builds the theoretical foundation of the research, while drawing on the rational choice neo-institutional approach of governance and the agency theory of corruption. Building on the already explained theory, we formulated an institutional model for controlling corruption, which depicts the dual way of decision-making process of an actor or agent, in two different institutional settings: structured and un-structured.

The second chapter analysed the existing body of knowledge on the issue. It starts with evaluating the 'diplomacy in research' regarding the issue of corruption in developing countries and goes on to analyse the two fundamental schools of thought on corruption: functionalist and moralist. While the former school believes in the possible positives of corruption for the underdeveloped societies and states, the latter out rightly rejects the possibility of any such outcome. We argued that though functionalist's ideology is inherently flawed and based on erroneous assumptions and at best, subjective evidence, yet an unqualified endorsement of moralists, who propagate zero tolerance for corruption, is also not much rewarding for the policymakers of the developing world.

This chapter also assessed the myriad of empirical research, on the causes of corruption and analysed the multiple variables, which have been studied as a cause of corruption. These variables include: size and kinds of government, political systems, institutional quality, competition in the market, excessive regulations, recruitment and salaries, role of judiciary, and the cultural determinants like trust, reaction to authority and the role of religion. The chapter also underlined the absence of any mentionable scholarly work on the problems of low governance and high corruption in Pakistan.

Chapter 3 dwelled on the concept and measurement of corruption. As effective measurement, whose results can be generalised, depends on consensus about what really

constitutes as corruption, we analysed the evolution and definitional debate of corruption and recorded the reasons for employing, 'the abuse of public office for private gain', as the definition of corruption. Apart from the definitional debate the chapter elaborated the basic characteristics, which render any transaction corrupt, and separates it from general criminal behaviour, subterfuge, maladministration, chicanery and ineptitude. Analysing the characteristic of corruption we asserted that contrary to common belief, corruption could even happen sans any involvement of a second party. While analysing four different modes of corruption, bribery, extortion, nepotism and kickbacks, we dilated upon the value of each, in different types of corruption, and further explained and differentiated between the three basic categories of corruption: political, bureaucratic, and judicial corruption. Various models of corruption like: agency model, resource allocation model, and demand-supply models, have also been critically evaluated, during the course of this chapter. In the end of the chapter we described and evaluated various techniques and tools employed for measuring corruption.

In chapter 4, the evolutionary trajectory of corruption in the sub continent in general and Pakistan in particular were presented. We maintained that for understanding the reasons for wide spread corruption in the region it is imperative to locate the genesis of corruption, in the early history of the region. Building on history, we learnt that the Indian sub continent was as corrupt as any other region of the world under the colonial rule. Analysing the impact of colonialism on the future level of corruption in the region, we stated that the colonial era, though, comparatively cleaner than other contemporary colonial systems, turned exponentially corrupt towards the end, mainly due to the emergencies of the WWII, as expediency, instead of transparency, became the criterion of bureaucratic efficiency.

This chapter further provided an evaluation of the post-independence patterns, of socio-political development in the region, and investigated the reasons, for differing political development despite inheriting similar political, military, and bureaucratic institutions in the newly born states of India and Pakistan. We identified the weak political parties, leadership vacuum after Jinnah, inefficient and predatory political elite, professionally competent civil bureaucracy, and a general atmosphere of insecurity in Pakistan as the major reasons for this gradually different development in these neighbouring states. The

chapter further explored the role civil-military bureaucracy played in the subversion of elected institutions to the non-elected institutions of the state and how it contributed in the gradual spread of corruption in society. The 60 years history, of socio-political development of Pakistan under the categories of alternate decades of civilian and military rule in the country, has been recounted.

We asserted that though corruption existed even at the time of independence, yet in the early stages of Pakistan's history, its rate of incidence was sporadic, its extent was minimal and the social disapproval was at the maximum. However, this wave of corruption of the early decades, changed into a hurricane, with highly concentrated spiral clouds and a well defined centre of the storm, in the times of third military rule (1977-1988), which was preoccupied with fighting the war of Soviet curtailment in Afghanistan. Subsequently, culmination was reached in the decade of civilian rule, which witnessed an unprecedented tornado of corruption, which engulfed the whole political and administrative set up, and destroyed the very moral ethos of society, aggravating economic disparity, social apathy, public inefficiency and extreme frustration in the masses. Apparently, inspired by these abysmal conditions, the ensuing fourth military rule tried to arrest the surge of corruption, but after initial success it sacrificed the initiative at the altar of political expediency. The quest for international legitimacy, once again – like the 1980s – forced the regime to concentrate on the 'war on terrorism', at the expense of grim domestic socio-political situation, which resulted in even further deterioration of these conditions, in terms of spread of the war into the North western region of the country.

## **Hypotheses Revisited**

In the last two chapters of this dissertation, we presented the empirical validation of the theory build in the earlier sections. These chapters, with the help of perceptions of the agent and the structural features of the Motorway Police, empirically validate the earlier made hypotheses. In Chapter 5 the empirical data based on the perceptions of the civil bureaucracy were analysed with a focus on prevalence and causes of bureaucratic corruption, according to the perceptions of real stakeholders in the quagmire of corruption. Though, the chapter established the veracity of perception, as a valid proxy of



the real level of corruption, yet it maintained that the question of validity or invalidity does not effect the scientific worth of this research, because the primary concern of this research is to investigate the causes and the control of corruption in the developing states, and not to ascertain the level or extent of corruption in any state.

The study showed that agents have a reasonably objective opinion, about the prevalence of corruption in bureaucracy and the country. Agents were asked to rate Pakistan as a whole and bureaucracy as an institution, in terms of level of prevalent corruption, on a scale of 1 – 10, where 1 refers to completely corruption free and 10 signifies extremely corrupt. On this scale agents rated the level of corruption in the civil bureaucracy at 6 and in Pakistan as a whole at 6.9. This perceived level of corruption is almost the same as indicated by the well-known Corruption Perception Index of Transparency International. Thus validating the hypothesis 1, which maintains that *if asked, Agents are willing to give their objective perception regarding the prevalence of corruption*. We affirmed that agents belonging to well-structured institutions more strongly believe in the assertion, that corruption is more of an institutional than the cultural problem. The analysis surprisingly indicated that variables like: age, gender, marital status, number of dependents, or the geographical origin do not influence the agent's perception regarding prevalence of corruption in the country; however the experience of the respondent or length of his service has a negative effect on his perception of corruption. This proves the hypothesis 2, *stating that length of experience of the public servants has a negative correlation to their perception of corruption in the state and bureaucracy*. In terms of most and least corrupt institutions the perceptions of the agents showed a categorical impression of the general police being the most, and the Motorway Police being the least corrupt institution.

Along with evaluating the causes of corruption, the perceptions of the agents, according to five basic categories of causes were analysed: primary, institutional, economic, developmental, and social causes. Data analysis revealed that in agents' view, insufficient financial remunerations, lack of accountability, discretionary powers, and weaker moral values of the agents, are the major causes of rampant bureaucratic corruption. Agents consistently quote economic, as the major cause of corruption; 65 per cent of the respondents think that 40 to 100 per cent of public agent's, with insufficient financial

means will indulge in corruption, partially proving the hypothesis 4, asserting that *if provided with reasonable financial remuneration, agents will prefer to avoid corrupt dealings*. This hypothesis was further substantiated, when respondents belonging to MP quoted, sufficient financial remunerations and effective monitoring, as the most significant reason for lack of corruption in MP. In the category of social causes, the study forwarded various interesting trends among public servants: firstly, agents tend to shift the blame to immoral public; secondly, lack of transparency and accountability in the bureaucracy motivates many people to join the institution; and thirdly, almost 45 per cent of the agents consider overwhelmingly corrupt surroundings to be a justification, for the remaining minority to be corrupt as well.

The last chapter forwarded empirical validation of the institutional approach for controlling corruption, through exhaustive qualitative and quantitative analysis of the only non-corrupt institute of the country, i.e., Motorway Police. We discussed the origin, evolution, administrative structure, institutional features, performance and social image of the Motorway Police, and the role all these factors play in the transparency of the institution. The chapter further evaluated the reasons of, why generally corrupt and inefficient agents have been converted into highly efficient and honest public force after joining the MP. Institutional culture built on the right ethos, work ethic, and social pressure for being honest emerged as the major reasons for that; validating the claim made in hypothesis 3 suggesting that, *if given the right institutional incentive, probability of reducing corruption is very high*.

The analysis indicated that the Weberian characteristics of a well structured institution, i.e., hierarchy, accountability, sufficient pecuniary compensation, social esteem attached with integrity and efficiency, effective training and honest leadership, all are present in the Motorway Police. This renders the MP as a perfectly structured institutional setting, which significantly contributes to the efficiency and transparency of the institution.

The analysis showed that according to the agents' perception, leadership, accountability, and checks & balances are the three most vital factors in determining the level of corruption in any institution. While analysing indigenous and exogenous tools for fighting corruption, we maintained that strict accountability and reward for honesty belong to the former, and social disapproval and institutional restructuring relate with the

latter classifications of such tools. According to the MP's agents, level of accountability is very high in the MP, which contributes significantly to the honest and professional discharge of duties by the actors; proving the hypothesis 5, which states that *if faced with credible threats of dire repercussions, agents will not indulge in corrupt practices*.

Apart from that, according to the views of the respondents belonging to the MP, peer pressure also contributes significantly in the honest conduct of the force members, substantiating the assertion made by hypothesis 6, that *if peer pressure is high, it will induce self-policing and self-censorship among the agents leading to low incidence of corruption*. Analysing the structural differences of institutional design this chapter forwards better salaries, better level of education, stronger moral values, and institutional culture, as the unique distinctions of MP's institutional structure. The chapter also showed that the level of corruption within the MP, according to its members, is almost non-existent and secondly, the members of the force have an overwhelmingly higher level of satisfaction with their work and the institution they are working for. Hence validating the hypothesis 7 maintaining that, *if any organisation has a positive general image and if corporate identity is higher within that institution, likelihood of corruption would be low in that institution*.

## **Contribution of the Study**

This research contributes something new to all the three vital aspects of social science research: theoretical, empirical and methodological. This study proposes a neo institutional theory for controlling corruption and enhancing governance in the transitional societies and the developing states. It stipulates the vital factors responsible for making any institution structured and un-structured. Our theory claims that by adopting the features of structured institutions, developing states can control the whirlwind of bureaucratic corruption and can introduce, honest, impersonal, and efficient public service ethos, resulting in enhanced level of governance in society. Above claims have been substantiated with the help of empirical evidence collected from a structured institution in the bureaucratic set up of Pakistan.

This research furthers the claims, forwarded by rational choice neo-institutional approach of governance, proposed by Mitra (2006), and corroborates his core postulation that, actor's perceptions of allied risks and rewards instead of his culture or context are responsible for the choices he makes. Hence, this research espouses the assertions of Mitra, while employing a fundamentally different environment, i.e., the bureaucratic setup of Pakistan, instead of political environment of various Indian states, and a different aspect of governance, i.e., corruption instead of maintenance of law and order.

Another theoretical contribution of this research is its challenge to an a priori judgment, regarding, the prevalence of corruption in transitional societies of the developing world, which asserts the 'cultural embeddedness of corruption'. This research forwards a posterior argument, with the help of examples from the field: maintaining that the level of corruption is not determined by the culture of society per se; it is rather influenced by the culture of the institutions. The conducted research shows that actors belonging to the same socio-political milieu behave very differently in various institutional settings. The rational actors under the influence of a well-organised institutional milieu, very swiftly abandon their old habits and traditions of corruption acquired in a lax administrative setup, and acquire the new/stricter norms of the institutions, provided, they perceive these norms to be favourable for themselves. This research maintains and proves that to argue that traditional cultures of transitional societies are inherently corrupt is a misleading or bias representation of the reality.

Besides the theoretical contribution, this research forwards valuable empirical findings, which question some of the basic assumptions in the field of corruption research. The first of such assumptions is based on the well-known agency theory of Rose-Ackerman (1978) and Klitgaard (1988), claiming that in a Principal-Agent-Client framework, principal's failure in effective monitoring of agent's activities is a major reason of corruption. This inability according to agency theory stems from the expensive nature of the supervision and monitoring; the principal cannot and do not effectively monitor the agent as it is not cost effective (1988:72). This research proves, with empirical evidence, that effective monitoring of the agent by the principal is neither very difficult nor very expensive; moreover, such monitoring is very well rewarding in terms of controlling corruption.

Another example substantiating the above assertion regarding effective and least expensive monitoring of the agents by the principal recently came from Pakistani public sector. According to widely reported national media news, an honest and dedicated District Controlling Officer (DCO), Zubair Bhatti, in the central Punjab district of Jhang, brought the level of corruption surprisingly down in the district just by ordering all the public servants in the district to submit him a daily report containing the names, addresses and cell phone numbers of the clients, they have dealt in the day. The DCO used to call those numbers at random and asked the persons about the quality of service they received from the public servants and whether they were asked to pay any extra money beyond government fees, taxes or duties. Only this small act proved sufficient deterrent for the public officials in the district. A widely published newspaper quoted this story as following:

This mid-career bureaucrat has done wonders in a Punjab district by remarkably reducing corruption in the otherwise most corrupt revenue department's registry offices, amongst the *Patwaris* (land revenue official dealing with the record of ownership, sale and transfer of land)<sup>128</sup>, in the government hospitals etc., by simply asking the concerned officials to submit daily the list of all property transactions registered with mobile numbers of both sellers and buyers, the total amount of taxes due and other basic details of transactions.

Similar orders were given to *Patwaris* in cases where *fard* (document establishing the ownership of land)<sup>129</sup> were given. The clerks of the revenue department were told that the officer would personally call all these citizens on their mobile phone to find out if they were asked to pay any bribe or commission above and beyond the taxes due, if any. He did the same and within a few weeks' time, things changed miraculously as far as getting of a *fard* or *intiqal* (transfer of land)<sup>130</sup> done and the registration of property was concerned. Bhatti talks to different buyers of the property or those getting *fard* or *intiqal* in the district or those treated/ operated in the government hospital or those getting domicile/ birth/death certificates etc. on

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<sup>128</sup> Description added by the author. It is pertinent to mention here that *Patwaris* are generally believed to be the most corrupt officials of the land revenue department in Pakistan.

<sup>129</sup> Description added by the author.

<sup>130</sup> Description added by the author.

their mobile numbers to know if they had paid only the taxes due or were also forced to grease the right palms. The threat of personal and intimate feedback communicated directly to the DCO and the possibility of anti-corruption action had a massively deterrent effect, the DCO said, adding that when he made calls and asked about the quality of service, he generally found out that petty hassles had mostly been eliminated.

(Abbasi: 2008)

This example further substantiates the assertions of this study that if there is political will, it is neither very difficult nor very expensive for the principal to effectively monitor the agents. Principal's inability in effectively monitoring the agent is more indicative of his incompetence, lack of will, or corruption than costliness of this activity. In developed societies there is neither dearth of political will nor resources, therefore, monitoring mechanisms are so effective that it becomes almost irrational to defy them under normal circumstances. These mechanisms are established and working so smoothly that they are hardly visible. While in the developing world, though in place, lack of will coupled with insufficient remunerations and resources have rendered these mechanisms the status of vestigial organs.

The second theory, which is questioned by this research, is the theory of corruption forwarded by Tirole (1996), stating that 'collective bad reputation' of the individuals and the institutions proves instrumental in the persistence of corruption in those institutions. It further elaborates that 'collective bad reputations' are very hard to get rid of, resultantly, reducing the incentives for the agents to leave corruption even if they are willing to do so. This research unequivocally demonstrates that it is not the case. Agents known for corruption and inefficiency, when placed in a structured environment, forgot about their 'collective bad reputation' and turned into highly professional and honest public servants within a span of six months.

This research also challenges the result of the theory of Van Rijckeghem and B. Weder. (2001), which claims that a hundred per cent increase in the pay of public servants will improve their corruption index position by only 0.5 point. However, we have seen, during the study of Motorway Police that less than 100 per cent increase in the salary of agents, results in an enormous leap in the level of transparency in the institution. It is important

to reiterate here that the financial remuneration of the Motorway Police is around 75 per cent higher than that of the normal civil bureaucracy. This research empirically proves that given the right institutional setting, even less than 100 per cent increase could establish a previously non-existent transparency, which is up to the level of a developed nation's standards.

On the methodological front, this research can boast to be seminal in the usage of perceptions of the real stakeholders in the field of corruption research. Prior to this, all the perception-based research about corruption is based on the perceptions of clients, i.e., general public, businessmen, area experts, or international business organisations. For the first time the perceptions of serving civil servants regarding the prevalence, causes, and control of corruption, have been collected. This underscores the vitality of understanding, the real reasons of corruption and the methodology to control it, according to the perpetrators or the stakeholders. This opens up a new methodological route in the field of empirical research on corruption and governance.

## **Policy Recommendations**

We have seen that the bulk of research on corruption is related to the question, whether corruption is harmful for the socio-political as well as economic development of the state or not. Of late a significant amount of research has been conducted on the causes and the consequences of corruption. The most neglected field of research is: how to control corruption? This research provides the following answer to this question: by employing a two-pronged strategy, i.e., investigating the causes of corruption, and then finding the ways to remove those. We analysed the general causes of corruption and then moved to the specifics, by studying an institution, where corruption is under control. Our archival research, data from the field, personal observation, and experience suggests following recommendations; policymakers should keep them in mind while devising any governance strategy or anti-corruption campaign.

The idea of inculcating social responsibility in society, which is at the core of any long-term meaningful drive for eradication of corruption is hard to materialise, until the state takes the first step in that direction. Considering human nature, it is unlikely for any actor

to feel responsible towards the state or society at large until the actor feels that the institution or society has done or is doing something for him, for which he owes something back to them. The distinction between state and society is very blurred in the eyes of common man, and he holds the state responsible for the plight he is in. Therefore, it is difficult for him to realise that his actions or non-actions will undermine the society, of which he is also a part, as a whole rather than the state. The common man feels being left alone by the state, which was created to take care of his interests; resultantly, he has a conscious or sub conscious feeling of resentment towards the state and will try to undermine the state whenever and where ever he gets an opportunity, not realising that what he is avenging against is society and not the state. In most of under developed or developing world, individuals or the actors fail to realise any such thing as social responsibility, because the feeling of not being taken care of is very strong. Their stream of thought will proceed rationalisation of this kind: why should I feel any responsibility towards state or society, as they have done nothing for me except making my life more miserable by each passing day?

If the idea of social responsibility is strong among the societies of the first or developed world, its origin can be traced back to the fact that individuals or actors feel that the state is making efforts and expenses to render their lives comfortable. They know that they are receiving numerous benefits from the state so it is logical to feel responsible for their actions as a social being. Secondly, they have a confidence, owing to their past experience, that their pecuniary contribution as a social actor will be utilised for the well-being of society as a whole and not for the adornment of a small section of society alone. This confidence is dearly missing from the societies of less developed or developing countries, and rightly so, because of their past experiences. So, if this idea of social responsibility has to be ingrained in the mindsets of such societies, the state must take the first step of reassuring the individuals this institution is responsible for their well-being, and fulfilment of their wants is among the top priorities of the state. Such reassurance would have to be followed by the actions, at least some action, in the promised direction otherwise it will only enhance the antipathy and passive aggression of the social actors towards the state and society.



Furthermore, Policymakers should avoid moralising about the issue of corruption or honesty, as moralisation demands universal eradication of corruption, which is neither possible nor desirable (considering the cost involved). Corruption is an economic and social problem and should not be made a moral one. Attention should be paid to bring the level of corruption down to an optimal level, and as Klitgaard (1988) has pointed out that the ‘optimal level of corruption is not zero’ (1988: 24).

Most anti corruption policies emphasise on catching the big fish and controlling mega corruption cases, probably due to political considerations, media coverage, for the sake of sending a message to the corrupt quarters in a state. However, petty and routine corruption, being lower in value and weaker in getting media attention, is neglected; which proves fatal for the whole campaign, in particular and for society in general. Since the normal citizen of a state comes across petty corruption at each and every corner, according to his perception corruption is rampant and nothing could be achieved, without greasing the palms of public officials. This perception of corruption is equally dangerous like the real level of corruption, because it prohibits the development of a right ethos of efficiency and hard work in the entire society.

Policymakers should ensure not to neglect petty corruption for fighting mega corruption, because in the long-term, the cumulative negative impact of the former could be much greater than the latter.

Moreover, maximum efforts should be made to improve the perception of society, regarding prevalence of corruption. Instances of public servants, punished for corruption and rewarded for rejecting corruption, should be highlighted in the print and electronic media and the simple incidence of corruption should not be given more than necessary coverage, lest it might infuse an exaggerated perception of corruption in the masses. If agent’s behaviour is described in length, this can give the impression that without corruption nothing can be achieved in the state. Therefore, it is of utmost importance to report the cases of corruption with care and caution; emphasis of the media should be on the punishment meted out to the perpetrators and not on their *modus operandi* or the prevalence of such activities.

Different forms of corruption have different effects, for example corruption in levying import duty on the import of a dozen 500 SEL Mercedes Benz from Germany to

Pakistan, would have a different impact than corruption in the award of a contract for building a primary school in a village, or corruption in finalisation of exams results or admission to a school/college, or corruption in admitting a poor man's mother to a hospital. In the first example the economic cost of corruption to the state might be relatively high, but the social cost of such corruption would be low; while in rest of the examples, economic costs might not be very high but the social cost will be enormous.

Scenario two, will result in depriving the village children of education; scenario three, will inculcate a wrong moral ethos in the youth making them believe that right connections and money pays better than hard work; and scenario four will result in anger, hatred, frustration, and repressed hostility in the poor sections of society.

Policymakers must keep these considerations in mind, while developing governmental policies and should prioritise their allocation of energy and resources according to the deleterious impact of different kinds of corruption. They should develop a social detriment index (based on the social cost in terms of instilling wrong ethos, frustration, apathy and hostility, which could disturb the very fabric of society) and every case of corruption, should be weighed accordingly. Maximum resources should be allocated for curbing the kind of corruption, which scores high on the social detriment index.

Apart from prioritisation among the kinds of corruption, policymakers should also prioritise the organisations or departments in the fight against corruption. An across the board anti-corruption drive is hard to yield any noticeable dividends, as was the case with NAB of Pakistan. Priority should be given to the departments which: could have bigger potential cost for the state and nation, are more directly linked with provision of public services, come more frequently in direct contact with public like police, health and education.

The state should maximise the utilisation of efficient human resource. Efficient human capital, like economic capital, is also a scarce commodity in developing states, and should be employed with great care. Our study of the case of the Motorway Police has proved that even a team of four efficient, intelligent, honest and hard working public servants could envisage, recruit, train, and build the most efficient and honest work force of around 5000 personnel. Considering this, public servants known for their integrity and efficiency should be appointed and trained for the most sensitive posts, where their

capabilities and potential should be put to maximum use. Best utilisation of limited human resources, will not only enhance the resource generating capacity of the state, but also ameliorate the image of state and government in the eyes of the general public.

Policymakers should emphasise on neutral and objective merit based selection recruitment, rotation and promotion criterion for public servants. Nothing harms the professionalism of the service and the moral of the hardworking youth more than the fact that recruitment and selection for jobs are not strictly merit based. Furthermore, mere induction should not guarantee a life long tenure in public service; rather length of tenure and promotion in the service should be strictly performance based. Performance criterion should give equal importance to the ability, efficiency and integrity of the public servants.

Carrot and stick policy should be employed to its maximum for ensuring low corruption and high performance among public servants. Like in the Motorway Police, public service positions should be made attractive for their holders. Adequate financial remuneration coupled with sufficiently equipped office conditions, practical working hours and good institutional environment should be ensured in each institution. The above factors along with the knowledge that in case of inefficiency and corruption all could be taken away will make the job dearer to public servants and will ensure a maximum effort to maintain their positions. Accountability should be visible, strict, transparent, and objective. Agents should be all the time cognizant of the fact that they are being monitored and should have no doubt in their mind that any lapse in efficiency and integrity can result in loss of their position.

Accountability without reward serves only half the purpose; it forces the agents to abide by the rules, but any change brought about by sheer force is deemed to fail. However, accountability accompanied with reward for honest and efficient discharge of duty can make the decision much easier for the agent. Social recognition and pecuniary reward will make the proposition of being honest and efficient much more worthwhile for the agent and he will willingly opt for that choice, as is the case in Motorway Police.

According to the recommendations of the agents, collected through open-ended questions during the course of field research, an independent and honest judicial system is the primary most prerequisite for establishing transparency and rule of law among the public

institutions and public servants. The second most frequent recommendation for combating corruption is an effective media and public awareness campaign, while incorporation of religious teaching, merit based recruitment and promotion and ensuring qualitative education are the other more frequently quoted recommendations.

Policymakers should also be careful about the appointment of leaders to the institutions under restoration, since honest and efficient agents under a dishonest and inefficient principal are hard to find. Mainly because leaders with questionable integrity, will neither monitor the activities of their agents nor can they question objectionable actions of the agents.

Introducing a culture of positive competition, between the different departments and institutions of the state, can have the same effect on the level of corruption, as the competition between the different suppliers has on the price of a commodity. States could introduce such positive competition, by means of a national corruption index, like the one we presented in Chapter 5 of this dissertation. Public perceptions, regarding the performance of different institutions should be collected, and an annual index of all the important institutions/departments should be developed, on the lines of CPI of Transparency International; indicating the level of corruption in various institutions. This index should be announced each year in a well-publicised high-level ceremony, inviting all the heads of departments included in the index. Good performers should be given generous accolades, while there should be a severe reprimand of poor performers, which may even include dismissal from service, in case of consistently poor leadership. This will not only produce a fear of public disgrace and embarrassment among the leaders, but would also produce a positive sense of competition among different institutions for doing well.

Above all, this research proves that the tempest of bureaucratic corruption in developing states or traditional societies, can be brought under control, provided, the principal is willing to act with objectivity, sincerity, and purposively. Agents are rational actors and they make rational choices, it is up to the principals to make 'No to Corruption', a rational choice for the agents.

# Appendices

## Appendix 1

### Sample Filled Questionnaire

P code ☐P  
☐A

## Problems of Governance in Pakistan

### Introduction:

My name is Muhammad Tahir Noor. I am currently pursuing my PhD research at the University Of Heidelberg, Germany. I am focusing on the problems faced by our country, the most crucial being the problem of corruption. I would like to ask you certain questions for the same. Your answers will help me ascertain the validity of my arguments. The interview will last approximately 15 minutes. The information extracted from this interview will **remain strictly confidential** and will under no circumstances be attributed to your name. I would like to take the opportunity of thanking you in advance for your time and cooperation.

### Section A

Please provide some general information

Age	31	Marital status	Married
Education	MS	Current department	PAEC
Length of service	6 years	BPS	18
Total dependants	3	Domicile	Punjab

Education: BA=1, MA =2, PHD=3, others =9

Domicile: Punjab =1, NWFP =2, Sindh =3, Baluchistan = 4, FATA/NA/Kashmir =5

Marital status: Married =1, Unmarried =2, Divorced/widowed =3

### Section B

Q.1

1    2    3    4    5    6    7    8    9    10

|-----|-----|-----|-----|-----|-----|-----|-----|

Least

Most

On a scale of 1-10 how would you rank Pakistan amongst the countries of the world in terms of corruption (1 being the least and 10 being the most corrupt)	<b>8</b>
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Q.2

On a scale of 1-10 how would you rank Pakistan's bureaucracy according to normal standards of conduct (1 being the least and 10 being the most corrupt)	<b>9</b>
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Please rank the following statements from 1 to 10 according to your perceptions

1 2 3 4 5 6 7 8 9 10

|-----|-----|-----|-----|-----|-----|-----|-----|-----|

Fully agree

Fully disagree

Statement	Perception
Q.3 Corruption in Pakistan is a cultural problem.	10
Q.4 Corruption in Pakistan is an institutional problem.	1
Q.5 Known corrupt individuals receive just as normal treatment in the society.	10
Q.6 Society fully accepts and condones the corruption.	5

### Section C

Q.7

Which of the following you think are the three most corrupt institutions in Pakistan (please number them from A to C)		
A 3	B 9	C 4

Income tax =1, customs =2, police =3, land revenue and administration=4, WAPDA =5, health =6, education =7, motorway police =8, Defence =9, judiciary =10,NAB=11

Q.8

In your opinion what are the three top most reasons for rampant corruption in above mentioned institutions (selected by you)		
A 1	B 3	C 5

Greater opportunities for corruption=1, greater interaction with corrupt public=2, corrupt leadership within the department=3, weak checks and balances=4, lack of accountability=5, anticipation of public=6, excessive rules and regulations=7, lack of mechanised procedures=8, discretionary powers incompatible with financial remunerations=9, others =10

Q.9

Which of the following you think are the three least corrupt institutions in Pakistan (please number them from A to C)		
A 8	B 7	C 10

Income tax =1, customs =2, police =3, land revenue and administration =4, WAPDA =5, health =6, education =7, motorway police =8, Defence =9, judiciary =10,NAB=11

Q.10

In your opinion what are the three top most reasons for less or no corruption in above mentioned institutions (selected by you)		
A 1	B 3	C 1

Lesser opportunities for corruption=1, lesser interaction with corrupt public=2, honest leadership within the department=3, strong checks and balances=4, strict accountability=5, anticipation of public=6, efficient rules and regulations=7, mechanised procedures=8,discretionary powers compatible with financial remunerations=9,others=10

Q.11

What in your opinion are three main causes of bureaucratic corruption in Pakistan?		
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Please rank them in your priority order.		
A 5	B 7	C 2

Weak judiciary=1, insufficient pay=2, excessive regulations =3, discretionary powers of public officers =4, lack of accountability =5, lack of education =6, institutional structures =7, cultural influences =8, peer pressure=9, weak moral values = 10

Q.12

What percentage of individuals do you think will indulge into corruption and corrupt practices despite having sufficient financial means?	4
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0-20% =1, 20-40%=2, 40-60%=3, 60-80%=4, 80-100%=5

Q.13

What percentage of individuals with poor economic background, do you think will indulge into corruption and corrupt practices?	3
--	---

0-20% =1, 20-40%=2, 40-60%=3, 60-80%=4, 80-100%=5

Q.14

In your opinion how life would be for an individual, who is part of this system and does not want to be corrupt?	2
--	---

Impossible =1, very difficult =2, difficult =3, slightly easy =4, very easy =5

Please rank the following statements from 1 to 10 according to your perceptions

1 2 3 4 5 6 7 8 9 10

|-----|-----|-----|-----|-----|-----|-----|-----|-----|

Fully agree

Fully disagree

Statement	Perception
Q.15 Lack of accountability plays a major role in the spread of corruption.	1
Q.16 General public forces the officials to be corrupt by offering them bribes for shady deals.	5
Q.17 Lack of accountability and transparency within bureaucracy induces people to join bureaucracy.	7
Q.18 99% corrupt individuals in an institution is a justification for the remaining 1% to be corrupt as well?	10

#### Section D

Q.19

Do you agree that rate of development in Pakistan is slower than what it should have been?

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1-- (Yes=1, No=0)

Q.20

Do you think that Pakistan still can be a developed country despite being perceived as very corrupt?

---0-

--- (Yes=1, No=0)

Q.21

What in your opinion is the relationship between corruption and development?	1
--	---

Corruption is the cause of slow development=1, lack of development is the cause of corruption=2, both cause each other=3, there is no relationship between the two=4

Please rank the following statement from 1 to 10 according to your perceptions

1 2 3 4 5 6 7 8 9 10

|-----|-----|-----|-----|-----|-----|-----|-----|-----|

Fully agree

Fully disagree

Statement	Perception
Q.22 Corruption is one of the major hindrances in the development of the country.	3
Q.23 Widespread corruption causes unequal distribution of wealth in the society.	1
Q.24 Corrupt people tend to destroy the value system in the society to legitimise themselves.	1

## Section E

Q.25

Please rate three most effective institutions, which in your opinion could be useful in combating corruption? (Number them from A to C)

A) 3	B) 7	C) 2
------	------	------

Religious institutions=1, mass media=2, civil society=3, academic institutions=4, anti-corruption agencies=5, police=6, judiciary=7, parliament= 8, Army=9

Q.26

What is your opinion about strict accountability as an effective tool against corruption?	2
---	---

Most vital=1, partially effective =2, little effective =3, plays no role =4

Q.27

How much do you think increased social disapproval of corrupt behaviour could be effective against corruption?	1
--	---

Very effective=1, effective=2, little effective =3, not effective at all=4

Q.28

In your opinion how much institutional restructuring on the lines of Motorway Police could be effective in other institutions for combating corruption?	2
---	---

Very effective=1, effective=2, little effective =3, not effective at all=4, not possible =5

Please rank the following statements from 1 to 10 according to your perceptions

1 2 3 4 5 6 7 8 9 10

|-----|-----|-----|-----|-----|-----|-----|-----|-----|

Fully agree

Fully disagree



Statement	Perception
Q.29 If salaries of public officials are sufficient to meet their basic needs they would not indulge in corrupt practices.	6
Q.30 Honest leadership within an institution can reduce corruption in that institution.	2
Q.31 Increased mechanisation (computerisation) in an institution can reduce chances of corruption.	6
Q.32 If honest behaviour and practices are well rewarded and acknowledged, it would help in reducing corruption.	3

Q.33

1 2 3 4 5 6 7 8 9 10

|-----|-----|-----|-----|-----|-----|-----|-----|-----|

Least

Most

If all the steps mentioned in questions 26-32 are taken, how would you perceive the standing of Pakistan amongst the countries of the world in terms of corruption on a scale of 1-10 (1 being the least and 10 being the most corrupt)	2
---	---

Q.34 Can you please narrate any incident involving corruption, which has been brought to your notice?

The recent incident of corruption took place with me when I had to get a police verification certificate from SP office in Attock for my visa application to Austria. They made a very simple thing so complicated so that one has to pay bribes to get rid of all troubles and get the certificate in one day, otherwise one has to go personally with application in union council then local police station then DSP then security officer finally SP to get their signs and every time the big SAAB would be busy in meeting or on round etc. which took at least 2 weeks. Give them 200 Rs. under the table no need for any thing, just collect your certificate in afternoon.

Q.35 What steps were taken to address the issue?

Police department is for serving the people; they should take some practical steps to ease the people. First they should have full access to database (like NADRA database) of a persona through computer; so that they can check information about a person immediately, secondly they should computerize crime record, and thirdly the immediate officer seated there should have issuing authority. Less people involved in process less chances of corruption.

Q.36 Can you please enlist your general recommendations for eradicating corruption from Pakistan?

- Strict and fair accountability inside the institutions and also form concerned accountability departments.
- Strengthened the institutions not persons.
- Automated, computerized the whole processes so that people have less and less interaction with persons.
- Free and fair judiciary.
- Increase the govt. employee's pays.

## **Appendix – 2**

### **Additional Section for the Motorway Police’s Questionnaire**

<b>Questions</b>	<b>Perception</b>	
Q.34 How would you rate motorway police in terms of corruption? (1 being the least and 10 being the most corrupt)		
Q.35 How would you rate motorway police as an institution serving public interest efficiently? (1 being the most and 10 being the least efficient)		
Q.36 What is your level of satisfaction being part of motorway police? (1 being the most and 10 being the least satisfied)		
Q.37 How much public expectation from motorway police determines your conduct? (1 being very much and 10 being very little)		
Q.38 How strong are accountability mechanisms in motorway police? (1 being very strong and 10 being very weak)		
Q.39 What is the role of accountability in determining behaviour of motorway police officials? (1 being very much and 10 being very little)		
Q.40 How often you come across public that wants to bribe you? (1 being very often and 10 being very rare)		
Q.41 How much your conduct is determined by the expectations of your colleagues and bosses? (1 being very much and 10 being very little)		
Q.42 How often you are consulted in matters of organisational changes like improving efficiency of the department? (1 being very often and 10 being very rare)		
Q.43		
What are top three structural differences in motorway police in terms of other government departments?		
A	B	C
Strong accountability=1, Better training=2, Better salaries=3, Strong leadership=4, Better level of education=5, Culture of the institution=6, Strong moral values=7, Professional cooperativeness=8, Conducive work environment=9, Others= 10		

### **Appendix-3**

#### **List of Departments Surveyed**

- Ministry of Defence
- Ministry of Defence Production
- Ministry of Interior
- Ministry of Commerce
- Ministry of Finance
- Ministry of Military Finance
- Planning and Development Division
- Central Board of Revenue
- National Accountability Bureau
- Economic Affairs Division
- Ministry of Housing & Works
- Ministry of Petroleum
- Federal Investigation Agency
- Earthquake Rehabilitation Authority
- Accountant General of Pakistan
- National Reconstruction Bureau
- Ministry of Foreign Affairs
- Ministry of Health
- Public Procurement Regulatory Authority
- Establishment Division
- Agricultural Development Bank
- United Nations Development Program
- Ministry of Women Affairs
- Ministry of Law
- Ministry of Education
- Income tax Bureau
- Department of Customs
- Ministry of Culture & Sports
- Ministry of Communication
- Ministry of Agriculture
- Ministry of Water and Power
- National Highway & Motorway Police

## **Appendix – 4**

### **Correlations: Age, Length of Services and Perception of Corruption**

		Age in years	Length of service in years	Perception of Corruption in Pakistan
Age in years	Pearson Correlation	1	.929(**)	-.188(*)
	Sig. (2-tailed)		.000	.031
	N	133	131	132
Length of service in years	Pearson Correlation	.929(**)	1	-.211(*)
	Sig. (2-tailed)	.000		.014
	N	131	135	134
Perception of Corruption in Pakistan	Pearson Correlation	-.188(*)	-.211(*)	1
	Sig. (2-tailed)	.031	.014	
	N	132	134	136

\*\* Correlation is significant at the 0.01 level (2-tailed).

\* Correlation is significant at the 0.05 level (2-tailed).

## **Appendix - 5**

### **Correlations: Social Causes of Corruption**

		Public induces corruption by offering bribes	Lack of transparency induces people to join Bureaucracy	99 per cent corrupt individuals are a justification for remaining 1 per cent
Public induces corruption by offering bribes	Pearson Correlation	1	.222(**)	.153
	Sig. (2-tailed)		.009	.076
	N	137	136	136
Lack of transparency induces people to join Bureaucracy	Pearson Correlation	.222(**)	1	.284(**)
	Sig. (2-tailed)	.009		.001
	N	136	136	135
99 per cent corrupt individuals are a justification for remaining 1 per cent	Pearson Correlation	.153	.284(**)	1
	Sig. (2-tailed)	.076	.001	
	N	136	135	136

\*\* Correlation is significant at the 0.01 level (2-tailed).

## **Appendix 6**

### **Salient Features of Motorway Police**

- Manageable span of control - SP manages 250 officers and an ASP/DSP (Chief Patrol Officer) about 60 officers.
- For optimum efficiency, force functions in three shifts.
- Force comprises of Educated Officers.
- Emphasis is given on smart turnout and professionalism.
- Effective accountability and senior command accountable for misdeeds of subordinates.
- No documents seized during any violation of traffic rules by the commuters.
- No interference from any quarter.
- Complete delegation of authority and responsibility.
- Only moving violations checked. Force responsible for traffic discipline, safety of commuters and initial action in crimes.
- Better pay, conducive working conditions, dependable mobility, intensive professional training and induction of foreign trainers are critical factors for the success of NH&MP department.
- Officer cadre for enforcement.
- Close supervision and effective command.
- Distinct uniform and smart turn out.
- 50 per cent of fine collected on the Motorways/Highways utilised for road safety, rewards and welfare of the force.
- SOPs for all operational activities.
- Adoption of Ticketing System.
- Welfare Projects including Scholarships, financial assistance for daughter's marriage, burial assistance, welfare petrol pumps and special quota in jobs for Shaheed's Children.

Source: <http://www.nhmp.gov.pk/salient.html>

## **Appendix 7**

### **Mandate of Motorway Police's Training Institutes**

- i) To train the newly selected Officers on basic police course.
- ii) To organise NH&MP orientation training of already trained Officers.
- iii) To organise Driving Training for fresh recruited Officers.
- iv) To organise advance courses for Drivers to make them Driving Instructors.
- v) To organise Wireless training courses for Wireless Operators.
- vi) To organise short courses on SOPs & functioning of NH&MP.
- vii) To organise technical courses on use of Misc. Equipment (Provida, Wireless Sets etc).
- viii) To organise courses on Physical Fitness.
- ix) To organise Fire Shooting Course.
- x) To organise First Aid Training Course.
- xi) To conduct promotional exams for different cadres.
- xii) To conduct refresher courses for senior officers.
- xiii) To act as a platform for provision of training by foreign experts.

Source:<http://www.nhmp.gov.pk/training.html>

## **Appendix 8**

### **Anti-corruption Laws in Pakistan Since 1947**

1. Relevant Offences under Pakistan Penal Code, 1860
2. Criminal Amendment Ordinance, 1944
3. Prevention of Corruption Act, 1947
4. The Pakistan Special Police Establishment Ordinance, 1948
5. List of Orders & Notification under Anti-Corruption Laws, 1948
6. The Public Servants (Inquiries) Act, 1950
7. The Sindh Prevention of Bribery and Corruption Act, 1950
8. The Civil Services of Pakistan (Composition and Cadre) Rules, 1954
9. Prevention of Corruption Act (West Pakistan Extension) Ordinance, 1958
10. Pakistan Criminal Law Amendment Act, 1958
11. The Police Department Delegation of Powers Rules, 1958
12. The West Pakistan Departmental Inquiries (Powers) Act, 1958
13. Anti-Corruption Establishment Ordinance, 1961
14. Pakistan Criminal Law Amendment Rules, 1962
15. Pakistan Criminal Law Amendment Rules, 1962 (pb. Amendment 16.6.1980)
16. The Government Servants (Conduct) Rules, 1964
17. Anti-Corruption Laws (Application to Tribal Areas) Regulation, 1966
18. The Government Servants (Conduct) Rules 1966
19. The West Pakistan Government Servants (Conduct) Rules, 1966
20. The Government Servants (Efficiency and Discipline) Rules, 1973
21. The Civil Servants (Appointment, Promotion and Transfer) Rules, 1973
22. The All Pakistan Services (Change in Nomenclature) Rules, 1973
23. The Civil Services (Change in Nomenclature of Services and Abolition of Classes) Rules, 1973
24. The Sindh Civil Servants Efficiency and (Discipline) Rules, 1973
25. The North-West Frontier Province Government Servants (Efficiency and Discipline) Rules, 1973
26. Rules for Appointment to the Cadre Post, 1973
27. Punjab Anti-Corruption Establishment Rules, 1974
28. The Federal Investigation Agency Act, 1974
29. The Punjab Civil Servants (Appointment and Conditions of Service) Rules, 1974
30. The Punjab Civil Servants (Appointment and Conditions of Services) Rules, 1974
31. The Punjab Civil Servants (Change in Nomenclature of Services and Abolition of Classes) Rules, 1974
32. The Railway Servants (Efficiency and Discipline) Rules, 1975
33. The Federal Investigation Agency Rules, 1975
34. The Federal Investigation Agency (Appointment, Promotion and transfer) Rules, 1975
35. The Punjab Police (Efficiency and Discipline) Rules, 1975
36. Instructions issued under Punjab Police (Efficiency and Discipline) Rules, 1975
37. The Sindh Civil Servants (Probation, Confirmation and Seniority) Rules, 1975



38. The Balochistan Police Disciplinary Rules, 1975
39. The North-West Frontier Province Police Rules, 1975
40. Martial Law Orders Against Bribery & Corruption, 1977
41. The Civil Servants (Appeal) Rules, 1977
42. The Pakistan Railway Police Act, 1977
43. The Members of the Federal Investigation Agency (Efficiency and Discipline) Rules, 1978
44. Punjab Administrative Vigilance Commission Ordinance, 1979
45. Punjab Administrative Commission Rules of Business, 1979
46. The Balochistan Government Servants (Conduct) Rules, 1979
47. Balochistan Civil Servants (Appointment, Promotion and Transfer) Rules, 1979
48. The Sindh Civil Servants (Appeal) Rules, 1980
49. The Sindh Civil Servants (Appeal) Rules, 1980
50. Balochistan Civil Servants Appeals Rules, 1983
51. Pakistan Criminal Law Amendment (Punjab) Rules, 1985
52. Punjab Anti-Corruption Establishment Rules, 1985
53. The North-West Frontier Province Civil Servants (Appeal) Rules, 1986
54. The North-West Frontier Province Government Servants (Conduct) Rules, 1987
55. The Sindh Police Efficiency and (Discipline) Rules, 1988
56. The North-West Frontier Province Civil Servants (Appointment, Promotion and Transfer) Rules, 1989
57. The Balochistan Civil Servants (Efficiency and Discipline) Rules, 1989
58. Sindh Enquiries and Anti-Corruption Rules, 1993
59. The Punjab Civil Servants (Efficiency and Discipline) Rules, 1999
60. National Accountability Ordinance 1999

Source: National Accountability Bureau, Annual Report 2006

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